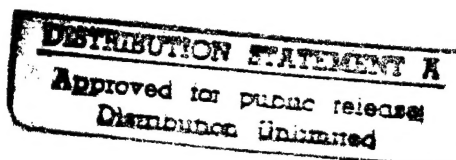


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China Report

ECONOMIC AFFAIRS

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25 January 1983

CHINA REPORT

ECONOMIC AFFAIRS

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ECONOMIC MANAGEMENT

NEED FOR ECONOMIC EFFECTIVENESS EMPHASIZED

Nanjing XINHUA RIBAO in Chinese 1 Nov 82 p 2

[Article by Wang Huaixiang [3769 2849 7449]: "A Shift in the Leading Ideology Is the Key to Raising Economic Effectiveness"]

[Text] The strategic objective outlined at the 12th National Party Congress clearly tells us that raising the economic effectiveness is the precondition for quadrupling production and that we must make great efforts to raise our economic effectiveness and achieve a unity of effectiveness and speed.

For many years the ideology that guided our industrial production suffered adverse "leftist" influences in its trend of onesidedly pursuing speed while disregarding effectiveness. Since the Third Plenary Session of the 11th CPC Central Committee, the "leftist" influences have been gradually eliminated in our leading ideolog-. The ideology guiding industrial production has been gradually straightened out, and economic effectiveness has obviously improved. However, reviewing the overall improvement of economic effectiveness, we still note that we fall short by a wide margin. How can our economic work actually be shifted to a path which has higher economic effectiveness as its core objective? It appears that the key to the question is still a thorough rectification of our leading ideology in industrial production and in a major shift in this leading ideology. Under the present conditions, the effective change in leading ideology must occur in the following directions:

We must effectively shift our emphasis from output value to economic effectiveness. This seems to be now well understood by everyone in principle, but in actual practice instances of onesided pursuit of output value with disregard of economic effectiveness still occur, resulting in large expenditures with meager yields, or even in uncompensated losses. Socialist enterprises engage in production for the purpose of providing, with the least expenditure of labor and material, more and better products which meet the needs of society. This means that every effort must be made to achieve a high degree of economic effectiveness in production. This is the only way that production, and the products of such production, will be of benefit for the state, the enterprises, the staff and workers and the consumers, and that there will be no watering down, but only real and factual value in the products and in the rate of production. If the products that are being manufactured do not meet the needs of society, are

produced at a considerable cost of material and are of low quality, there may be an increase in product value and rate of production, but the products will pile up, wanted by nobody. This would represent an unrealistic product value and rate of production. The larger the product value, the greater will the losses be. In future we shall certainly not pursue such a middle headed policy of onesidedly emphasizing product value that will land us in a state of "good news from industry, but bad news from trade." Ability is not shown in merely pursuing product value, but true ability is shown only in having products exactly meet social needs, in adopting various well-advanced economic targets and in achieving a high degree of economic effectiveness.

We must effectively shift from an emphasis on quantity of production to an emphasis on quality and variety. Production serves consumption. The needs of the consumers can promote production, and production, by continuously replacing outdated products with new products, can stimulate consumption and conversely promote factory production. Our people in towns and villages not only want to be able to buy needed manufactured goods for daily use, but also want them to be of good quality, of latest design and low in price. Our comrades engaged in production must take the needs of the people fully into account and form in their minds an ideology that is attuned to these needs. Many units have acted on this principle. Their products have been warmly welcomed by the people, and their economic effectiveness has also been of a high degree. However, there are indeed some comrades whose way of thinking still stagnates at the old stage when supply fell short of demand. They emphasize only quantity and disregard quality and variety, an attitude concretely manifested in their expending great energy on the expansion of their production capacity, but showing themselves disinclined to invest energy in technical improvements and updating of equipment. If there is no essential change in this attitude, there will hardly be a change in the qualitative defects and antiquated appearance of their products, and there can hardly be any improvement in their economic effectiveness.

We must effectively change from merely emphasizing production and neglecting business management, to endeavoring to gain a firm grip on both production and business management. For a long time past, our factories concerned themselves only with production, leaving the marketing of their products to the commercial departments as their responsibility. Production and marketing became disjointed. The producers did not care about the market situation, lacked understanding of market changes and only became aware of serious problems when the commercial departments reduced or stopped procurements, products started to pile up at the factory and there was no more money to pay salaries and wages. This mentality of only caring for production and ignoring business management is particularly unsuited for today's conditions of ample supplies of products and competitive marketing. How can a factory that is ignorant of market requirements manufacture products that meet the social needs? We must therefore definitely pay attention to business management and the forecasting of market changes. We must not only forecast the short-term needs of society, but must also study its long-term needs. Only this will reduce irrationalities in the production of our enterprises, increase stability, produce products that are easily marketable and fit requirements and will bring about a steady development in factory production.

We must effectively change from primarily emphasizing increased production as a means to increase income to an attitude of equally emphasizing that not only increased production will yield increased income, but that economizing in expenditures will also increase income; we must especially reduce the consumption of energy and raw material resources. It is of course a major aim in enterprises to increase their income by increasing production, but another important aspect of increasing income must certainly also not be overlooked, namely to increase income by taking action against waste and by instituting economies. If economizing is neglected, the products are manufactured wastefully, costs of production rise, profits are reduced and even with increased production no economic effectiveness can be achieved. The problem is now that leaderships in some enterprises still give little attention to increasing their income by economizing in their expenditures. This attitude must also thoroughly change, because effecting economies is extremely relevant to achieving the great objective pointed out at the 12th National Party Congress. For instance, the resources needed for a quadrupling of our production cannot themselves be quadrupled, and the problem can only be solved by relying on our ability to economize, saving half of the needed resources. If we cannot achieve a reduction by one half in the consumption of our energy resources, it will be difficult to ensure the realization of the great objective of quadrupling production. In actual fact, many enterprises, due to their neglect of business accounting for many years, have grown rich but careless and their waste and wastefulness is frightening. This is a weak spot in our present industrial production, but also a spot of potential improvements in economic effectiveness. The potential is even larger if attention is focused on technical improvements. In a small synthetic ammonia factory in our province, for instance, by economizing, the consumption of coal during the first half of this year could be reduced from an average of 1,820 kg of standard coal to 1,677 kg. In this item alone, over 76,400 tons [as published] of standard coal could be saved in half a year, allowing an additional 45,500 tons of synthetic ammonia to be produced. It is therefore equally necessary to emphasize increasing income by economizing as increasing income by increasing production. Careful calculation and strict budgeting is necessary everywhere so that an equal amount of raw material and fuel can yield more and better products, that more funds can be accumulated for the state, more wealth created for society and more material benefits be provided for the people. If the economic effectiveness is raised, our enterprises will be making greater contributions.

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FINANCE AND BANKING

LOANS FOR TECHNOLOGICAL TRANSFORMATION OF ENTERPRISES URGED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 22, 19 Nov 82 pp 1-3

[Article by Zhu Tianshun [2612 3944 7311]: "Do a Good Job in Handling Loans for Technological Transformation, Support the Technological Transformation of Enterprises"]

[Text] Supporting Technological Transformation of Enterprises Is an Important Task Conferred Upon the Banks by the 12th Congress

Carrying out a technological transformation of existing enterprises with relevant points of emphasis and in an orderly manner is a strategic measure for realizing the goal of struggle put forward by the 12th Congress to endeavor to quadruple the country's industrial and agricultural annual output by the end of the present century.

Comrade Hu Yaobang pointed out in his report at the 12th Congress that, in order to lay a more solid foundation for increase in our economic growth during the decade after 1990, we must during the period of the sixth 5-year plan launch a technological transformation of our enterprises with relevant points of emphasis where as during the period of the seventh 5-year plan we must carry out general technological transformation of our enterprises.

At the recent conference on scientific and technological encouragement, Premier Zhao Ziyang clearly pointed out: working on our modernization, revitalizing our economy and quadrupling our output must all depend on our scientific and technological progress. This must be affirmed as a fundamental guiding ideology for our economic construction from now on.

According to the spirit of the 12th Congress, the People's Bank is studying right now how to handle well the question of extending loans for technological transformation. The initial conceptualization in this regard is: In order to meet the capital needs of bringing about a new situation in our socialist modernization, we should, in the use of medium and short-term loans for equipment, support major points of technological progress and carry out technological transformation, rationally appropriate through various channels, funds that can be applied to technological transformation, and further mobilize the enthusiasm of the enterprise in carrying out technological transformation. This way, we can through extending loans for technological transformation

achieve the purpose of developing our economy and renovate our technologies, improve the economic results of our medium and short-term loans for equipment, as well as reduce and save some occupancy of our liquid capital. This is a requirement for doing a good job in handling loans for technological transformation.

Background and Result of the People's Bank Extending Medium and Short-term Loans for Equipment

1. Since the Third Plenary Session of our 11th party central committee, an important reform in our bank work in extending industrial and commercial credit loans has been starting to provide medium and short-term loans for equipment.

After the Third Plenary Session, Comrade Deng Xiaoping pointed out: "We must use the bank as a leverage for developing our economy and renovating our technologies. In respect to enterprises which require little investment but are disposed to achieve quick results, we must adopt the approach not of financial allocations but of extending bank loans. Many factories require only a funding of several thousand yuan, several tens of thousand yuan, or several hundred thousand yuan to solve their problems; in such cases the bank may simply loan the sum to them and have it collected after a year or two. The bank must itself go out of its way to find objects for extending its loans." According to this directive on the part of the central leading comrades, the People's Bank, on the basis of continuing to expand its sources of funds and under the uniform arrangement of state planning, began in the latter half of 1979 to extend medium and short-term loans for equipment. In 1980, in order to make a go of light and textile industries, this shortage prove part of our national economy, the state carried out a "six-priority" policy with respect to these light and textile industries; the State Council also issued Document No 9, with the decision to let the People's Bank extend special loans for technological transformation to the light and textile industries. Practice has proved that this initial extension of medium and short-term loans for equipment by the People's Bank has been an important measure adopted by the state.

To this extension of medium and short-term loans for equipment by the People's Bank, the central leading comrades have paid a great deal of attention. In his report at the meeting of the country's light industry division and bureau chiefs held in March 1981, Comrade Hu Yaobang indicated his approval that medium and short-term loans for equipment served to increase the production of the daily consumer goods urgently needed by the people and hence fulfilled multiple purposes; they seemed to deserve support. In February 1981, when Comrade Zhao Ziyang inspected Tianjin, he also affirmed the experience of the Tianjin municipal branch of the People's Bank in extending medium and short-term loans for equipment.

2. Conditions and results of the extending of medium and short-term loans for equipment: According to available statistics, by the end of June 1982 the People's Bank had altogether extended loans totaling more than 13 billion yuan to some 50,000 technological transformation projects cumulatively and

collected loans totaling some 4 billion yuan, with a pending sum of loans totaling some 9 billion yuan. By the end of June 1982, more than 27,000 projects had already as a whole or in part completed their work and started their operations, with a cumulative increase in output value totaling 29 billion yuan and an increase in taxes from such new profits totaling 6.31 billion yuan. According to incomplete statistics from all the projects that have already started their operations, every yuan from the medium and short-term equipment loans served to increase about 3 yuan in increased output value and 1 yuan in taxes from the profits.

Viewed from the projects that have already started their operations, the loans played a positive role in promoting the readjustment in our national economy:

- (1) They promoted the readjustment in the ratio between light and heavy industry. Up to the end of June 1982, the People's Bank had issued altogether loans totaling 8.9 billion yuan to such industries of daily consumer goods as light and textile industries, an equivalent to twice the investments in the state budget in the light and textile ministries for the corresponding period. In 1981, the country's total value of industrial output increased by 60.8 billion yuan over all of 1979, an increase of 13 percent; and the country's total value of light industrial output increased by 69.5 billion yuan, an increase of 33.5 percent. The output value created by the support of loans made up about 23 percent of the new increase in output value in light industry during the two years.
- (2) They succeeded in promoting a greater increase in the production of the daily consumer goods that had been in short supply in the market; this was beneficial to recovering the currency issued. Through the support by loans, a great margin of increase resulted in the production of bicycles, sewing machines, clocks and watches, clothing, leather shoes, furniture, sugar, beer, high-quality white wine, yarn, wool, silk, and the like which had been originally in short supply; the fact that, at present, a fine situation has emerged in light and textile industrial products turning from a seller's market into a buyer's market, these medium and short-term loans for equipment have indeed played a definite role.
- (3) They have supported the development of our communications and transportation enterprises and the transformation of our energy-saving technologies. By the end of June 1982, the People's Bank had issued to the communications and transportation enterprises about 1.3 billion yuan of loans for vehicle purchases and vessel purchases. In 1981 alone these loans bought 256 vessels and more than 6,000 vehicles; that is, these purchases increased the volume of passenger transportation by 2.48 billion persons/kilometers and the volume of freight transportation by 270 million tons/kilometers. During the same period, the People's Bank loaned 300 million yuan to more than 1,000 energy-saving projects, with 200 of them starting their operations with results; this helped save 580,000 tons of coal, 135,000 tons of oil, 66,500,000 watt/hours of electricity, 200,000 cubic meters of steam, and 80,000 cubic meters of water. Besides, it also issued loans to more than 600 small hydro-electric station construction projects totaling 400 million yuan; the 300 which were completed and launched into operation cumulatively increased 1.2 billion watt-hours in the electricity they generated.

(4) They supported the readjustment in products structure of the heavy industrial enterprises and expanded their service limits. The People's Bank issued altogether 2.1 billion yuan of loans to technological transformation projects in heavy industrial enterprises such as machines, metalurgy, chemical engineering. By the end of 1982, those projects that were launched into operation increased 6.3 billion yuan in output value and 1.2 billion yuan in increased taxes from profits.

In supporting the light and textile industries to develop their production of daily consumer goods, the midterm and short-term equipment loans also played a definite role in the machine industry and other heavy industries maintaining a given speed of development and resurgence in production during the readjustment. According to statistics, of the midterm and short-term equipment loans 80 percent was used on the purchasing of equipment; as 13 billion yuan of medium and short-term equipment loans were issued across the country, they provided more than 10 billion yuan of orders for the machine industry. This batch of orders played a definite role of fermentation.

(5) They opened up financial sources for the state and augmented the financial revenues. The increased taxes from profits paid by the more than 27,000 projects that have already been launched into operation during the period of loan repayment alone amounted to 6.3 billion yuan (not yet including the increased taxes from profits of the commercial departments); apart from the 4.16 billion yuan of loans repaid, they increased 2.15 billion yuan in capital accumulation for the state.

Besides, the medium and short-term equipment loans also promoted the development of collective enterprises and social service enterprises.

3. Among the medium and short-term equipment loans issued in the past, a small number did not reap good economic results, and there were also some duplicated projects of construction. Especially because the banks' economic information was not quick enough and feasibility study not thorough enough, and their control over credit loans was also weak, loans were indeed extended to some projects of capital construction beyond established plans and in some localities self-raised funds for capital construction also squeezed out the medium and short-term equipment loans. To sum up, these medium and short-term equipment loans played a definite role in the development of the production of our daily consumer goods and in improving our economy, but they also had some defects. We shall sum up our experiences and correct them.

Concerning Certain Questions of Policy on Midterm and Short-term Loans for Equipment

On the basis of the spirit of the 12th Congress and the new situation of our daily consumer goods turning into a buyer's market, the point of emphasis in issuing our medium and short-term equipment loans from now on should be to support the enlarged re-production of the core business of the enterprises. These medium and short-term equipment loans should take as their premise the improvement of our economic results and the energetic support of the

technological transformation of our enterprises. Their core is: they should be beneficial to the mobilization of the enthusiasm of the enterprises to work on their own technological transformation so as to pave the way for technological renovation; the funds for technological transformation of the financial departments and departments in charge, the enterprises and banks and channels of the like should be rationally utilized.

1. Medium and short-term equipment loans in support of the enterprises to work on their own technological transformation should be mainly used on: (1) the "Bottlenecks" in the production process that hinder the process of work; (2) the renovation or replacement old products; (3) the improvement of the quality of products and the enhancement of their variation, an enhancement of the adaptability of products to domestic and external markets; (4) the support of energy-saving measures; (5) the reduction of raw materials consumption; (6) the improvement of productivity; (7) comprehensive utilization; (8) key equipment designed to catch up with or surpass the international level of sophistication (including equipment manufactured domestically and imported from abroad). Generally speaking, efforts must be made to help the enterprises to adopt new techniques, new equipment, new craftsmanship and new materials.

Viewed from the point of view of the various trades, the key points of support should be placed on energy, transportation, machine industry, and daily consumer goods.

2. We must pertinently control the amount of loans. The total amount of a loan and the scale of a construction project must adapt to the state's financial capability and material resources and should be subject to comprehensive balance according to state plans. The banks should in keeping with the plans of enterprises, trades and cities on technological transformation formulate a plan on extending midterm and short-term equipment loans. We must issue loans strictly according to such a plan. Our finances must be balanced, and our credit loan operations must also be balanced. Diverting funds for midterm and short-term equipment loans to capital construction beyond the plan or use on capital construction by self-raised funds is strictly prohibited.

This kind of loan for technological transformation is different from loans for capital construction, as their processing procedures are more simplified and their policy requirements are more flexible so as to enable the enterprises to make use of them closely in conjunction with the market situation.

3. Loans for technological transformation should be used in conjunction with an enterprise's own capital for renovation and transformation and funds for production development. In order to give full scope to the potential of an enterprise's own fund for technological transformation, the issuing of medium and short-term equipment loans should be accompanied with an emphasis on the "three-self," namely: (1) It must first use its own fund on technological transformation and make use of loans only when such fund falls short. (2) It must use its own fund to pay back loans and only when its fund falls short

should it pay back according to State Issued (1980) Document No 9 and pertinent regulations of the like. (3) Among the projects subject to transformation the part pertaining to civil engineering should use an enterprise's own fund as a matter of principle. In the case of an enterprise that has difficulty in providing such a fund, it may use just a little of its own fund or none at all; where no such difficulty is encountered, it should use more. This way, the regulation should be beneficial to mobilizing an enterprise's enthusiasm in resorting to technological transformation.

4. As for the questions of interest rate and duration of loans, depending on the characteristics of a given technological transformation, considerations may be given to relevantly extending an original date for repayment; when an enterprise encounters difficulty in making the repayment, it may be given as many as 5 years of extension: when the interest rate of a loan to a project of transformation involving the adoption of really new technologies, a preferential one may be appropriately considered.

Where because of inadequate feasibility study by a bank as to the nature of a project for a loan or because of a lack of strictness in examining it the eventual economic results become therefore affected, the bank should according to the prescription of the agreement shoulder its share of the risks.

5. Technological transformation loans and liquid capital loans should be organically combined together. At present, the problems of enterprises engaging most of their liquid capital, facing slow circulation, and suffering inadequate returns are still basically unchanged; the main reason for this is that their products are not suited to consumption. If the level of such liquid capital engagement is really to be compressed, apart from the approach that, in conjunction with the promotion of enterprise rectifications and the economic responsibility system, the capital of enterprises should be relevantly readjusted and a responsibility system on capital management should be established, efforts should be mainly made in respect to technological transformation. Efforts should be made to mobilize the enthusiasm of various localities, departments, and enterprises in the two aspects of compressing their liquid capital engagement and carrying out technological transformation. Experience proves that technological transformation loans whose economic results are good can effectively help compress the engagement of liquid capital. These two kinds of loans should be organically combined.

6. We must support the medium and small enterprises to import technologies and accelerate their technological transformation. Central responsible comrades have repeatedly indicated that we should dauntlessly import technologies and speed up the technological transformation of our existing, especially medium and small, enterprises, and endeavor to get hundreds and thousands of them started. We are studying with the concerned departments right now as to how some technological transformation loans may be provided by the utilization of our available foreign exchange.

7. Concerning the question of repaying technological transformation loans, of the technological transformation projects in the category of the enlarged re-production of enterprise business some enjoy very little newly increased

profits, some afford only economic benefits to society while the enterprises themselves enjoy no economic results, and some cannot calculate their economic results in a simplistic way. Consequently, insofar as the sources of their repayment are concerned, apart from using their own capital, considerations must be made to have portions thereof taken from their profits or their tax payments. Our opinion is that we should still maintain the repayment regulations prescribed in State Issued (1980) Document No 9; if a change is contemplated, consultations should be made with the concerned departments.

For the sake of mobilizing the enthusiasm of the enterprises in carrying out their own technological transformation, the question as to how loan repayments should be made in the case of loan projects with macroscopic profits, microscopic lack of profits, or minor profits must still be considered in consultation with the concerned departments regarding concrete methods.

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CSO: 4006/169

FINANCE AND BANKING

FINANCE JOURNAL STRESSES NEED FOR FINANCIAL, ACCOUNTING WORK

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 10, 20 Oct 82
pp 3-5

[Article by Wang Bingqian [3769 0202 0948]: "Streamline Financial, Accounting Work in Enterprises To Improve Economic Results"]

[Text] Six years have elapsed since the downfall of the "gang of four." During these years, particularly since the Third Plenary Session of the 11th Party Central Committee, the Party Central Committee and the State Council have adopted a series of measures to streamline and strengthen financial and accounting work among the enterprises. After several years' efforts, such work has begun to embark on the road of healthy development after the creation of order out of chaos.

First, financial and accounting work quickly recovered and developed after the efforts to set things right. Under the leadership of party committees at various levels, we have repudiated and liquidated the "leftist" errors, ascertained what is right or wrong in ideology, and restored the reputation of financial and accounting work. At the same time, the financial organs, which had been abolished, were restored; the financial and accounting work force was strengthened; chief accountants were appointed for many large and medium-size enterprises; and technical titles were given to the financial and accounting personnel along with the promulgation of rules for conferring these titles and the establishment and strengthening of the finance and accounting system for the enterprises. There is now an approximately 2-million strong finance and accounting force in the enterprises throughout the country, and approximately 60 percent of this force were recruited in the past several years. These comrades have undergone training and testing, and their political consciousness and vocational ability are continuing to improve.

Second, all-out efforts have been made to turn losses into profits and to take a careful inventory of our assets; and preliminary success has been achieved in changing the chaotic management of enterprises. Since 1977, the State Council and the people's governments at various levels have one after another set up leading groups for turning losses into profits and for the inventory of assets, and organized huge forces throughout the country for the same purpose. Remarkable results have been achieved after 4 years' efforts. The work of turning losses into profits and the inventory of assets were carried out in the spirit of reorganization and have helped improve enterprise management and economic results in addition to the increase in revenues.

Third, restructuring the financial management in enterprises has aroused the enthusiasm of the enterprises and their workers and staff members. In line with the general and specific policies of the central authorities to restructure the system of economic management, we have, beginning 1978, adopted the enterprise fund system for all state-run enterprises. Later on, in coordination with the experiments on expanded decisionmaking power for enterprises and the system of economic responsibility in various forms, we gradually adopted the systems of profit retention, responsibility for profit and loss, paying taxes in lieu of handing in profits and other forms of responsibility systems. Practice has proved that although the methods used still leave something to be desired, the orientation of restructuring is correct and the results are remarkable. Now, many enterprises and their workers and staff members are concerned for production costs, profits, funds and economic results of enterprises; are paying attention to the methods of acquiring, accumulating and using money; and are making great efforts to improve business management. Both production and revenues have been increased, and the level of profits retained by the enterprises has also continued to rise. These measures have played a great role in enlivening the economy, developing production and solving the problems in the enterprises' production and the workers' livelihood.

Fourth, financial inspections and the enforcement of financial and economic discipline among the enterprises have paved the way for an all-round reorganization of enterprises. Through financial inspections, we have not only educated the enterprises and the broad masses of workers and staff members in observing law and discipline and brought to light the problems in enterprise management preparatory to enterprise reorganization, but also discovered and dealt with a large number of violations of financial and economic discipline and increased state revenues through remedial action. Up to now, violations involving a total amount of 4.5 billion yuan have been discovered. Out of this amount, 2.1 billion yuan should have been paid to the state, and 1.4 billion yuan has been already transferred to the treasury.

Fifth, efforts have been made to increase both output and revenue in order to accumulate large amounts of construction funds for the state. To correct the "leftist" errors which have for a long time caused damage and to gradually solve the problems left over from the past, the state has in the past several years raised the procurement prices for agricultural and sideline products, given jobs to tens of millions of unemployed youths, revised the pay scales for workers and staff members which had been left untouched for many years, and halted or limited the production of some heavy industry enterprises. All these measures cannot help but contribute to the temporary reduction of revenues and increase of expenditures among some enterprises. However, through their efforts to increase production and practice economy, and to tap their own resources, many enterprises have made very great contributions to the state.

Sixth, in the performance of their duties, the finance departments at all levels and the financial personnel of enterprises have carefully worked out plans for the use of enterprise funds in a frugal way, while the grant of loans for promoting technology has given strong support to the development of production and construction, and enabled the work of finance and accounting to play a promotional and supervisory role. The broad masses of finance and accounting

personnel have done a great deal of work at their own posts with devotion, fortitude and integrity, in upholding principles. In the past several years, a number of advanced exemplary units under efficient financial management and achieving good economic results have emerged in various regions and departments. This is very gratifying.

In the past several years, financial and accounting work throughout the country as a whole has achieved great success. At the same time, we must note that what we have done in these years is reorganization work of a recovery nature. In the vast majority of enterprises in the whole country, finance and accounting work is still far from adequate for the requirements of production and construction developments, and there are many problems in this work. For example, a fairly large number of enterprises in the country do not fully recognize the importance of finance and accounting work. Their management is fairly chaotic and has not yet embarked on the proper path. Their financial structure and their finance and accounting personnel are quite weak. They have no set limits for consumption, no procedures for receiving and issuing, no plans for spending and no accounting for production costs. Such a phenomenon is quite common, and the losses and waste are quite serious. If the basic finance and accounting work cannot be well carried out, the all-round economic accounting system for the evaluation and improvement of economic results will all be ineffective. Also, very common are the problems stemming from the lack of strong financial supervision and strong financial discipline. In some enterprises, departmentalism and anarchism are prevalent. Instead of following the rules and regulations, these enterprises are simply acting as they please. Some of them even resort to fraudulent tactics--such as falsifying the reports on production costs and withholding the taxes and profits which should be paid or handed over to the state--which are detrimental to the state's interests. Others have given bonuses and subsidies under various pretexts or privately appropriated state or collective property, thus encouraging their workers and staff members to "think of everything in terms of money." Furthermore, if the enterprise's share of profits is too large, the state's financial resources will become widely dispersed. Because of our inexperience, the level of profits to be retained by enterprises was originally set too high, and failure to observe state rules and regulations has further added to the advantages for enterprises. Thus some enterprises are receiving "double benefits" at the expense of state revenues. Such a situation, if allowed to continue, will not only hamper that task of economic readjustment, but will also be detrimental to the future economic development.

During the Sixth Five-Year Plan, we must not only overcome the existing financial and economic problems and strive for a fundamental turn for the better in our financial and economic conditions but also be well prepared for their future development. We must unswervingly implement the policy of readjustment, restructuring, reorganization and improvement and focus all economic work on the attainment of better economic results. We must first improve the economic results before striving for speed and increase in income, and at the same time reduce our expenditures. This will be the core of our economic work as well as the basic way to solve financial problems. The financial departments are the comprehensive sector in our national economy, while the finance and accounting work in enterprises is a comprehensive type of work. The

quality of our work has a very close bearing on the improvement of economic results. First, all economic activities of the state and enterprises are reflected in finance and financial matters. Through accounting and the comparison and analysis of financial matters and through market investigations, we will be able not only to show and check on the economic results, but also to forecast economic prospects, to participate in economic policy decisions, to improve business management and to promote production development. Because of the restructuring of the system of economic management, a number of enterprises, formerly engaging in production only, have now to sell their products as well. This trend is now becoming increasingly obvious. Second, the departments in charge of finance and the related financial matters are in possession of the figures of receipts and payments and are keeping abreast of all economic activities which concern production, circulation, distribution and other activities. The results of all economic activities will ultimately be expressed in financial terms which will also show how the policies have been implemented and reveal the problems in our macroeconomic and microeconomic activities. The figures showing financial achievements and conditions are highly authoritative, presenting only hard facts, either good or bad. For this role, they can hardly be replaced by other departments. The departments in charge of finance and related financial matters at all levels, that is, from the department organs and personnel. They are connected with all economic departments and enterprises, and are virtually at the first line of economic activities. They are in a position to find out where there is potential, where there is waste, which link should be spurred on and which link should be supervised. In production and construction, they are serving as advisers and assistants to the leadership. That is why these departments can be expected to play an important role in improving economic results.

In January this year, the Party Central Committee and the State Council issued the "Decisions on the Question of All-Round Reorganization of Enterprises," calling for an all-round reorganization of enterprises which should last 2-3 years. This is an important strategic measure of decisive significance in improving the entire national economic results and in bringing about a fundamental turn for the better in our financial and economic conditions. These "Decisions" pointed to finance and accounting work in enterprises as an important aspect of the all-round reorganization of enterprises. Recently, the State Council again approved and relayed the "Report on Strengthening Finance and Accounting Work in State-Run Enterprises" prepared by the Ministry of Finance. Our financial departments are aware that this is going to be an all-round reorganization of a constructive nature, with high demands and calling for a great deal of work. We must concentrate our energy, provide more active leadership, work out practical plans, organize the necessary forces, and complete the reorganization of all enterprises by groups and in different periods within 2-3 years.

What should be stressed in streamlining finance and accounting work? First, we should rectify our way of thinking. At present, the tendency of stressing production and neglecting management and finance and accounting work is quite prevalent among the leading cadres. Unless this ideological problem is solved, the streamlining of finance and accounting work may be discarded or conducted in a perfunctory way, and may fail to meet the expected requirement. Through

the reorganization, we must help the enterprise leadership to form a correct business mentality so that finance and accounting work will be highly regarded and its function can be given full play. We have also to solve the problem of departmentalism in the enterprise leadership so that these leaders will bear in mind the overall situation and properly handle the relationship between the state, the enterprises and the workers and staff members. In view of the extravagance and waste in some enterprises, we must encourage them to form the concept of running enterprises through frugality. Second, we should consolidate the ranks. Through the consolidation, we will solve the problem of insufficient finance and accounting personnel, their inadequate proficiency, and their confused minds and thus strengthen the finance and accounting organs and their personnel. It is particularly necessary that the 2 million finance and accounting workers should undergo a course of training in a planned way, and should be given suitable title according to their technical skill so that there will be a gradual increase in the number of "knowledgeable persons" who are conversant with finance and accounting and are competent in business management. This is where the key to good finance and accounting work lies. Third, the basic work should be reorganized. Through the reorganization, we will set up and perfect the systems of first-hand records, various quota, measurements, inspections and supply control; and the system of economic accounting with chief accountants in charge of accounting, managing and checking at every level. These measures will help greatly to strengthen the basic work of enterprises and to raise the level of management. Fourth, finance and economic discipline should be strictly enforced. Enforcement of discipline will help strengthen the concept of the legal system among the enterprises which has violated the discipline, and will turn them into "law-abiding organizations." The financial departments must also further strengthen their supervision, be courageous in upholding principles, and be ready to combat any act of violation of finance and economic discipline. They should also strongly support the finance and accounting personnel in the performance of duties and strictly deal with cases of retaliation in revenge.

Where shall we start with the streamlining of finance and accounting work? The main requirement is to follow the "six criteria," and to set high standards and strict demands instead of doing this as only a matter of formality. As to the question of where to start, we may use different approaches according to the principal contradictions in different enterprises. Some enterprises have serious problems of losses and waste. In this case, we should start with a combat against waste by relying on the masses. Some enterprises have serious problems with finance and economic discipline. In this case, we will start with the enforcement of discipline. Some enterprises' basic finance and accounting work is very poor; then we should start with the streamlining of their basic work. In short, regardless of where to start, we should do this job in a down-to-earth manner. The "six criteria" should be implemented one by one. However, instead of evening up our forces, we should direct more efforts on the weak links.

In streamlining finance and accounting work, how can we popularize the experiences gained in selected enterprises among the other enterprises? There are three different conditions under which the streamlining can be carried out. First, all enterprises which have been selected for reorganization should

treat the streamlining of finance and accounting work as an important aspect of enterprise reorganization, and this aspect must not be overlooked. The finance departments should send their own people to participate in this work and concerted action should be taken. Second, some enterprises have not been selected for reorganization but have shown many problems in management. In this case, it should be suggested to the party committees and governments at various levels that these enterprises be included in the list of enterprises to be reorganized. If the inclusion is actually impracticable, the finance departments and the departments in charge of these enterprises should jointly organize forces for carrying out the reorganization. Third, the enterprises in general should take the initiative to reorganize themselves according to their requirements. The finance departments and the departments in charge of these enterprises should provide strong leadership, supervision and inspection so that the reorganization can be checked and rechecked instead of being allowed to drift along aimlessly. For the reorganization of county-run enterprises, the counties (municipalities) concerned can assign their people to be organized into work teams. At first, these work teams should work in a county (municipal) experimental unit, and gradually spread out to work in others, after gaining the necessary experiences. As an alternative, the forces can be concentrated on the reorganization in one county after another. In short, this work must be carried out by large and medium-size enterprises, small enterprises, industry-communications enterprises, commercial, foreign trade, construction, agriculture and land reclamation, cultural and educational undertakings, and particularly by the central departments in charge.

How will active leadership be provided? In streamlining the finance and accounting work, mere reliance on the finance departments is not enough. Under the unified leadership of governments at various levels, all departments must cooperate with one another and work in close coordination. In attending to the reorganization of enterprises, the governments and departments in charge at all levels must attach great importance to the streamlining of finance and accounting work and consider it as an important aspect of the reorganization; otherwise, the work of reorganization cannot be completed and its effects will be greatly diminished. The leading groups for enterprise reorganization at various levels must include certain comrades of the financial departments, which, in turn, should make every effort to do this job well. The leading cadres should personally work in the basic-level units in order to gain and popularize the experiences. The finance departments must be willing to send their backbone elements to participate in the work of reorganization. There should be constant inspections and supervision. Any problem discovered should be promptly reported and solved. Meetings should also be held regularly or whenever necessary for the exchange of experiences in order to promote and spur on the work of reorganization.

9411

CSO: 4006/128

INDUSTRY

CHANGES IN PROPORTIONS BETWEEN AGRICULTURE, INDUSTRIES REPORTED

Beijing GONGREN RIBAO in Chinese 9 Aug 82 p 1

[Article: "New China News Reporter Comments on Achievements of Economic Readjustment Over the Past Three Years, The Proportional Relation Between Agriculture and Light and Heavy Industries Has Visibly Improved"]

[Text] NCNA August 8, commentary by NCNA reporter: At present, our nation's agriculture is still prospering, light industry is continuing to grow, heavy industry is continuing to improve its service orientation and has rebounded from last year's decline. The long period of proportional imbalance among these three major sectors of the national economy is changing. They are beginning to stimulate each other and to develop in coordination.

This is the new situation that has emerged from the thorough implementation of the national economic readjustment policies by the whole people since the Third Plenum of the 11th Party Congress.

For a long period after national liberation, especially during the "great leap forward" that began in 1958 and during the ten years of upheaval, our nation unilaterally emphasized the growth of heavy industry as a priority in developing the national economy, thus the development of agriculture and light industry slowed. The proportional relation among agriculture, light industry and heavy industry was seriously imbalanced and this affected the normal development of the national economy and this also created a shortage of commercial commodities and a shortage in market supply. Starting from 1979, the Party Central Committee and the State Council implemented a series of policy measures to change this abnormal situation. Agriculture and light industry were developed in a big way and the rate of development of heavy industry was slowed down. Visible achievements were realized.

-- In the rate of development, the average growth rate of agriculture and light industry over the past three years reached the highest since founding of the nation. The average annual growth in agriculture was 5.6 percent, light industry grew 14 percent annually, both far surpassing the annual average growth of 1.4 percent in heavy industry during the same period.

-- In the proportional relationship, the proportion of agriculture and light industry as a percentage of the total production value of industry and agriculture increased from 57.4 percent in 1978 to 63.5 percent in 1981 while the proportion of heavy industry correspondingly dropped from 42.6 percent to 36.5 percent.

-- In product structure, the output of suitable products of light industry and heavy industry increased year after year. Agriculture progressed even faster. During the three years, the production of food grains steadily increased. The output of cotton, oil crops, sugar crops, silkworm cocoons, domesticated fowl and pork, beef and mutton increased by an even larger scale. The total output respectively increased by one third to nearly onefold. The proportion of forestry, livestock, sideline and fishery production as a percentage of the total agricultural production value rose from 32.2 percent to 35.9 percent.

The improvement in the relationship among agriculture, light industry and heavy industry has brought about a sudden change in our nation's economic life: Agriculture and light industry have provided an abundance of foodstuff and daily industrial products for the markets in the broad number of cities and villages. Two or three years ago, people could not buy meat and rushed to buy meat with fat. Today, consumers in most areas consider the meat "too greasy" and have become picky in selecting lean meat and shunning fat meat. Several years ago, sesame oil and peanuts and such produce were seldom seen on the market. Now, they have become products that require efforts to sell. Such light industrial products as bicycles, sewing machines, wrist watches, television sets, polyester fiber, wool fabric, and shoes were regarded as "emperor's daughters" never afraid of not finding a husband, but now they have become "difficult to marry off". Production enterprises and commercial enterprises are all thinking of ways to attract customers. Many daily necessities in the local markets requiring ration tickets for supply are now supplied freely. The prosperity in the present markets has rarely been seen during the more than 30 years since founding of the nation.

The improvement in the relationship among agriculture, light industry and heavy industry has also made it possible for the emergence of a new situation in which these three major sectors are beginning to stimulate each other and to develop in coordination. The strengthening of the agricultural economy has opened up a broad market in the farm villages for industry and has provided massive amounts of raw materials. In the past three years, the output of light industry using agricultural sideline products as raw materials has increased 48.3 percent. As light industry develops, the accumulation of capital for national buildup has also hastened. In recent years, the state has appropriately reduced heavy industrial production. Some comrades worried that this would unfavorably affect the national economy. Now, practice has proven that efforts to enable agriculture and light industry which have long remained backward to catch up have appropriately laid a solid foundation for a healthier development of heavy industry. During the first seven months of this year, our nation's heavy industry changed its passive situation of last year when production dropped. The total production value grew 9.7 percent. This forcefully argues in favor of this point.

9296

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DOMESTIC TRADE

EXPANDING SALES OF LOCAL INDUSTRIAL PRODUCTS PROMOTED

Chengdu SICHUAN RIBAO in Chinese 12 Nov 82 p 2

[Article by Jiang Heng [5592 1854]: "Vigorously Propagate and Market Local Industrial Products"]

[Text] The 12th National Party Congress drew up a program ushering in an all-round new phase of the socialist modernization drive and setting forth the magnificent goal of quadrupling the annual total value of production in our country's industry and agriculture by the end of this century.

Our commercial departments must first of all fix this great goal in their minds, and it is then around the question of how to realize this goal that they must take proper note of the problems and give consideration to the arrangement of their own work. The commercial departments are engaged in commodity circulation, but we must effect here a genuine shift of our standpoint to one of "promoting production, guiding production, ensuring supplies and bringing about a prosperous economy." Production is the basis. Only when production is well developed, will commodity circulation have a source from which to draw water and grounds into which to sink its roots, only then will commodity circulation have an abundant material foundation, will trade become increasingly flourishing and circulation continue to expand. At present, we must actively promote the development of light and textile industries in our province and guide production to manufacture more and better commodities that are easily marketable and satisfy needs, in order to keep the markets supplied and satisfy the needs of the people's livelihood. Vigorous propaganda and active sales promotion for our local manufactured goods can not only contribute to the development of the local light and textile industries, increase state revenue, improve supplies in the marketplace and siphon off currency from circulation, but can also play an extremely important role in supporting the rural economy and the development of economic diversification, and toward effective exchanges of industrial and agricultural products, enlivening urban and rural economies and satisfying the daily increasing needs for products in the livelihood of the broad masses. It is also a practical action by which the commercial departments implement in concrete terms the spirit of the 12th National Party Congress. We must therefore give priority to supporting production, promoting production and guiding production, and allow these aims to strike deep roots in our way of thinking. We must overcome that negative spirit of

not taking an interest in production and must overcome our inertia and helplessness in matters of production. We must even less let a fear of taking on additional burdens make us ignore production and wash our hands of it. We must fully realize that in the wake of the Third Plenary Session, the light and textile industries in our province experienced a speedy development, that production structures and product compositions have been continuously adjusted and improved, that design and variety have been continuously expanded and that the quality of the products improved. Among the textiles, for instance, such synthetic fiber fabrics as polyester-cotton cloth, fibre-cotton cloth and some knitted cotton fabrics are being produced in quantities that have increased many times over, and for which many new designs and varieties have been created. The products for daily use manufactured by the light industry, which used to be in short supply, are now generally abundantly available. For instance there is now an ample supply of ordinary and toilet soap, laundry detergents and other washing and laundry supplies, thermos bottles, enamelware and aluminumware. These can be fully supplied and in much greater variety. Production of watches, sewing machines, bicycles, radio receivers, television sets, washing machines and other such high-grade durable goods is continuously being expanded. Some items are being produced for the first time and some developed from limited availability to abundant quantities, and the supply situation has considerably eased up. The quality of many products has been continuously improved. The "Peony" brand soap is regarded the top in the country. The "Tiancheng" white fabric produced at Neijiang was awarded the silver medal in a competition. The electric batteries from Wanxian are also of excellent quality. The "Jialing" brand light motorcycles from Chongqing have been well received by the masses. The television sets manufactured by the Chengdu Wireless Factory No 1, after undergoing some amendments, are greatly improved in quality. Recently, at a "sampling and determining production" meeting held at Guanghan, we saw leather shoes and plastic sandals in great variety, and many new designs showed great improvements.

Of course the base of our province's light and textile industries is still very weak and lags behind that of advanced provinces and municipalities. Continuous improvement is still required. In this respect our commercial departments have a responsibility that they must not shirk. We must further closely coordinate work in industry and commerce, strengthen investigation and research, effectively institute market forecasts, provide information, actively promote the qualitative improvement of local manufactured goods and expand the variety of products. We shall use commerce as a bridge and link to vigorously "beat the gongs to clear the way" for our local manufactured goods, carry on extensive propaganda, work hard in displaying the local goods in all large and small markets and stores, let them be directly inspected by the masses and move the commodities into the hands of the consumers. We shall earnestly engage in propaganda and sales promotion, extend the impact of local production and open up markets for it. Let the masses appraise and test these products in actual practice and let us promptly communicate the opinions of the consumers to the production departments, so that they may continuously improve production. An attitude of looking down on local products shows lack of a production-oriented and mass-oriented standpoint and must be overcome and corrected.

It is the common task of all the commercial departments throughout the province to successfully promote trade in local manufactured goods. Such trade must be actively carried on by the second-level stations in the producing areas, by the corporations in the localities concerned and also by the second-level stations in the marketing areas. The third-level wholesale enterprises and the various retail enterprises in all counties throughout the province must also actively engage in this trade. Especially certain municipal corporations and retail stores in such places as Chengdu and Chongqing must take the lead in actively and effectively trading in local manufactured goods and set a good example for the whole province. To further improve and strengthen the trade in local manufactured goods, the relevant departments of the province have recently undertaken certain research and adopted appropriate measures. They proposed that there must be administrative involvement as well as an adoption of economic measures; there must be assignment of tasks as well as the granting of certain rewards. There must also be an adjustment in the assignment and pricing methods in the case of the third-level wholesalers in order to stir up enthusiasm for the trade in local manufactured goods. As to the scope of trade and methods of supplies, we must base ourselves on the principle of supporting production, expanding circulation, reducing links in the production chain, speeding up capital turnover and raising economic effectiveness and thus adopt different methods in accordance with different conditions. Some supplies may be made directly by the second-level centers in the producing areas, and some in remote border areas may be transmitted by second-level centers in the marketing areas. We must carry out on a large scale such varied forms as joint operations of different production and marketing centers or centers and stores and wholesale and retail agencies, in order to achieve the goal of successfully trading in local manufactured goods throughout the entire province.

The relationship between products from within and from outside the province must be properly dealt with. Basing on the principle of breaking down blockades and establishing reasonable economic conditions, also considering the needs of the market, we must organize the transfer of commodities from outside the province in a planned way to prevent irrational importations or duplications by importing goods. Commodities that are produced inside our province and have proven satisfactory must in general not be brought in, if of equal quality and price or basically equal in price and quality; the production and procurement of such goods must be organized on the spot or nearby. If there is a need to stimulate variety and designs, a small quantity must be brought in to supplement available designs and varieties. For commodities that are not produced, or not satisfactorily produced, within our province we must organize their importation in a planned way based on the needs of the market. Surveying conditions here in Sichuan, we see yet another major special feature, which is the imperfections of our communications and transportation system. Railway and waterway transportation is frequently obstructed and in order to alleviate the pressure on our transportation facilities and practice economy in transport capacities, it is even more necessary to restrict ourselves to what is produced within the territory of this province and to reduce as far as possible unnecessary long-distance transportation of commodities, thus avoiding wastage and losses.

9808

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DOMESTIC TRADE

NATURE, SCOPE OF PRICING ACCORDING TO QUALITY DESCRIBED

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese No 5, 20 Sep 82 pp 9-12

[Article by Yang Hongdao [2799 1347 6670]: "Nature and Scope of Pricing According to Quality"]

[Text] Pricing according to quality is an important policy in socialist price control. The question of pricing according to quality exists invariably in the factory prices of industrial products, the procurement prices of agricultural products, and the wholesale and retail prices of commodities. This policy is applicable in all spheres of production and circulation. Conscientious implementation of the policy of pricing according to quality is a manifestation of the correct use of the law of value to serve socialist construction in a socialist country.

Nature of Pricing According to Quality

Pricing according to quality means setting different prices for different qualities of the same product so that the difference in quality can be reflected in prices. In other words, there will be good price for good quality, low price for inferior quality, and the same price for the same quality. Pricing according to quality is accomplished through a set of quality differentials which have the following characteristics:

1. In name, they are called price differences. Essentially, however, they are not the monetary expression of the amount of labor consumed in the process of commodity circulation and are not any form of expression of circulation expenses. Therefore, they do not come under the category of commodity price differences, and are essentially not the difference between buying and selling prices, between wholesale and retail prices, between different regions and between different seasons.
2. They are different from the proportionate relationship between different use values expressed in different prices. Comparison between commodities is possible only provided the quality of their use value is the same; but not otherwise. Therefore, they do not come under the category of price parity.

In short, pricing according to quality does not come under the category of either price difference or price parity. Instead, it is a form of pricing with special characteristics of its own and is more widely applicable.

As for the economic basis of pricing according to quality, an analysis of the main cause of the difference in the quality of products can show that the different quality levels of the same product reflect the difference in the materialized and living labor consumed in the process of production and circulation as well as the rise and fall of the value of the product. Thus through prices, we can see the rise and fall of the product value. Therefore, value serves as the economic basis of pricing according to quality.

An analysis based on Marxist theory of value will also show value as the economic basis of pricing according to quality.

First, price is the monetary expression of commodity value, and value is the basis of price. Even for the same type of commodity, good quality will mean higher price and poor quality will mean lower price, if pricing is based on quality. No matter whether it is high for good quality or low for poor quality, it is after all a price, and as such, it is certainly the monetary expression of commodity value, or the monetary expression of the same commodity with different quality grades. The basis of these prices, again, is certainly value.

Second, commodities are exchanged at equal values on the basis of value. Commodity stands for the unity of use value and value. Different commodities, judged from their use value, are created by different forms of concrete labor, and it is not easy to compare them with one another. Judged in terms of value, however, they are all created by labor in an abstract form and therefore can be compared with one another. The exchange of commodities is possible simply because they are of comparable values. Thus commodity exchange is based on value. Although the use value of the same type of commodity is created by the same form of concrete labor and is therefore comparable, yet, as a commodity, either of good quality with a high price or of poor quality with a low price, it has to be exchanged with other commodities at equal values. Therefore, we must use value as the basis.

Third, supply and demand cannot show the market value; on the other hand, market value can show the change in supply and demand. The relations of supply and demand can produce certain effects on prices. In setting prices under socialist planning, the departments in charge at all levels and the enterprises have to consider the relations of supply and demand and the requirements of state policies in addition to the value of commodities, in order that supply and demand can be adjusted in a planned way to promote harmonious national economic development. However, no matter whether supply and demand are balanced or not, the value of good quality products must always be higher than that of poor quality products. If good quality products are sold at the same prices as for poor quality products, there will certainly be a shortage of good quality products for the demand, while nobody will care to buy the poor quality products. If the prices of good quality products are excessive to their value, while the prices of poor quality products are too far below their value, this situation will not necessarily arise, and may even be reversed in such a way that the supply

of poor quality commodities will be short of the demand, while that of good quality commodities may become excessive to the demand. The prices of both good and poor quality commodities must basically correspond to their own value and there should be a reasonable quality differential between them before there can be a balanced supply and demand. Therefore, the economic basis for pricing according to quality can only be value, and not the relations of supply and demand at all.

Since the economic basis of pricing according to quality is value, according to the analysis of the causes for good and poor quality or the analysis based on Marxist theory of value, pricing according to quality should be the same as pricing according to value. Then why should it be called pricing according to quality instead of pricing according to value directly?

Here, several points should be clarified:

1. Pricing according to quality is a price policy, while pricing according to value is the principle and foundation of pricing. A certain pricing principle and foundation are required in the implementation of the price policy. Pricing according to quality through pricing according to value and allowing commodities of the same type to express their different qualities in different prices on the basis of value are the basic requirements of the law of value.
2. Pricing according to quality as a price policy is simple, concise and readily understandable, and can serve the purpose of guidance for the producers as well as consumers. If it is changed to pricing according to value, its meaning is unclear, and it cannot serve the purpose of guidance.
3. In real life, pricing according to quality for real objects can generally show the difference in quality; however, it cannot exactly show how the quality differentials should be determined. Pricing according to value is a concrete method to solve this problem.

Therefore, pricing according to quality must be consistent with pricing according to value. In real economic life, pricing according to value is advantageous to the implementation of the price policy and the conscious application of the law of value. Pricing according to quality through pricing according to value is the main direction for efforts in socialist price control.

Pricing According to Quality and the Scope of Its Application

Pricing according to quality as a price policy is being widely used in real life. However, since this policy is indiscriminately used for other commodities, it is necessary to define the scope of its application.

1. The difference between pricing according to quality and price parity.

Pricing according to quality can be used for commodities of the same type but different quality grades which are determined on the same criterion. The question of pricing according to quality does not arise for different types of commodities of different use values. If there is any price relationship between

them, it is the relationship of price parity. Generally, there is a fairly clear distinction between commodities of the same type and commodities of different types. For example, grain and cotton cloth are entirely different commodities, each with its own use value and comparison between them is difficult. They can be exchanged with each other according to some price ratio. However, the question of pricing according to quality does not arise here. Some commodities are fairly similar and under certain conditions, they can substitute one another, and it is hard to tell whether they are of the same type. Actually, however, they are of different types and there is only the relationship of price parity between them, and the principle of pricing according to quality does not apply.

Some commodities which should be clearly differentiated are:

1. Products of the same type but different specifications.

For example, shoes of large and small sizes are intended for different consumers, and each of them has its own use value. They cannot be called commodities of the same type. Even though the price of the former is higher than that of latter, we cannot attribute their price difference to pricing according to quality. Between their prices is a price parity for commodities of the same type, or a specification differential, which has nothing to do with pricing according to quality. The shoes must be of the same size before the workmanship, the durability of the materials used and so forth can make any difference in their quality, and the principle of pricing according to quality becomes applicable.

For the same reason, 4-ton trucks and 2-ton trucks, 10-watt motors and 7-watt motors, 19-inch TV sets and 12-inch TV sets, male undershirts and female undershirts and so forth are all commodities of the same type but different specifications. Each of them has its own use value, and there is no difference between their quality. Instead, there is only price parity between them and the principle of pricing according to quality does not apply.

2. Products of the same type but different designs and varieties.

For example, washing basins with floral designs are of different sizes and different styles. Some of them have floral designs on only one side; others have them on both sides; and their prices are determined accordingly. They appeal to the tastes of different consumers, and cannot be considered as commodities of the same type. Between them, it is hard to tell which one has the better quality, and here the principle of pricing according to quality does not apply. There is only price parity, also called design differential or style differential, between products of the same type but different designs or styles. If they are of the same size and same style, and both have floral designs on one or both sides, even though these designs are of different types and colors, they are generally sold at the same price, because there is not much difference in the consumption of socially necessary labor in their production. The question of pricing according to quality therefore does not arise. Although one or two of them may be left unsold because their designs or colors do not appeal to the consumers' taste, and have finally to be disposed of at reduced prices, this is only an instance of the adjustment of the supply and demand through the use of the law of value, but not within the scope of pricing according to quality.

Commodities of the above types are printed fabrics, bedsheets with printed designs, socks with designs, knitting wool and so forth, which are of a fairly selective nature. The question of pricing according to quality for the same reason does not arise because of their different designs, since the relationship between them is only that of price parity.

3. Substitute commodities.

Under certain circumstances, some commodities can substitute one for another, but their use values are not entirely the same. Actually they are different commodities. There is only price parity between substitute commodities for them, and no basis for pricing according to quality. For example, rice and flour are both foodstuffs which can substitute each other. However, people in the south are fond of rice while people in the north are fond of flour. We cannot say that the quality of rice is better than that of flour or the other way round. Here again the question of pricing according to quality does not arise. There is only price parity between substitute commodities in this case.

Other commodities, such as soap and synthetic detergents, gasoline and diesel oil, chemical fiber products and cotton products can substitute each other under certain circumstances; however, since their use values are not entirely the same, they are actually different commodities. There is only price parity between substitute commodities but no question of pricing according to quality.

2. The difference between pricing according to quality and the use of prices as a lever.

Price is an important lever in the national economy. For various reasons, such as the regulation of supply and demand, guidance for consumption, the encouragement of production, restriction of development, and so forth, socialist countries may sometimes deliberately use the deviation of price from value as a means to bring into play prices as a lever. Such a situation does not come within the scope of pricing according to quality. Nor is it possible to explain the question of price with the theory of pricing according to quality. For example, in urban areas, people generally like lean meat, but not fat meat. For a balanced supply and demand, the state may deliberately raise the price of lean meat above that of fat meat. This means the use of deviation of price from value as an economic lever, but is not the result of the better quality of lean meat than of fat meat, or pricing according to quality. In the rural areas, lean meat or fat meat makes no difference to the peasants, and they are sold at the same price.

Similarly, the price of imported wrist watches is higher than that of domestic wrist watches and those of high-grade tobacco and liquor are higher than ordinary tobacco and liquor, because the state has to use the deviation of price from value as a lever to restrict consumption and to regulate the national income. There is no quality differential as a result of pricing according to quality.

From these illustrations, we can see that the theory of pricing according to quality applies to commodities of the same type and the same specifications, and the commodities whose quality is evaluated on the same criterion. The difference of prices based on their different quality grades are generally called quality differential, characteristic differential, grade differential or class differential. For commodities of different types, different specifications and different quality criteria, the principle of pricing according to quality is inapplicable. The so-called specification differential, design differential, style differential and so forth come under the category of price parity, and are unrelated to pricing according to quality. The use of the deviation of price from value as a lever to regulate supply and demand cannot be considered as pricing according to quality either. To use the law of value purposefully and to implement the policy of pricing according to quality correctly, it is entirely necessary that these relationships be clarified in order to continue the improvmeent of the quality of industrial and agricultural products.

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CSO: 4006/143

DOMESTIC TRADE

SHANGHAI REPORTS ABOVE-TARGET PRODUCTION FOR AUGUST 1982

Shanghai JIEFANG RIBAO in Chinese 4 Sep 82 p 3

[Article: "This City's Industrial Output Last Month Was Above Plan"]

[Text] On the day when the solemn convening of the 12th party congress was being celebrated, victorious news arrived from Shanghai's industrial front: this city's industrial output for August exceeded the plan assignment and was continuing to exceed the figures for the same period last year and the quot for progress in fulfillment of the annual plan.

In August, total industrial output value for the city was up 3.7 percent from the same period last year, while cumulative output for January through August was up 6.8 percent, accounting for 67 percent of the planned output for the entire year. Light industry showed a net increase in output of 1.54 billion yuan compared with the same period last year, up 6.9 percent, while heavy industry posted a net increase of 1.141 billion yuan, up 6.7 percent.

Output of 52 of 89 products included in the state plan exceeded the figures for August of last year. Among them, 27 products, including steel, synthetic ammonia, agricultural pesticides, manmade board, motor vehicles, internal combustion engines, optical instruments, bicycles, television sets, tape records, washing machines and synthetic detergents showed an increase in output of more than 10 percent. In the January-August figures, 67 products showed an increase in output over last year, and 68 reached or surpassed the quotas for progress on fulfillment of the annual plan.

In August all branches of Shanghai's industrial system continued to fight arrogance and complacency and mobilized for major efforts in key production areas; they vigorously pursued product upgrading and modernization and adaptation to market requirements; and the leadership in many industrial branches improved operating style and visited basic-level units to promote production effectiveness. The masses of employees fought against high temperatures in striving for high output, with a resolve to post new achievements and to offer concrete achievements to the party congress. Reports of success poured in from industry after industry. The small-scale chemical fertilizer industry conscientiously learned from advanced units and implemented the economic responsibility system, with the result that in August chemical fertilizer production achieved low consumption, excellent quality, high output and increased

profits; total energy consumption per ton of synthetic ammonia dropped by 300,000 kilocalories compared with July. The Wujing Chemical Plant's 300,000-ton synthetic ammonia installation reached 110 days' safe operation, a new record. The electronic components industry successfully trial-produced 39 parts and components for color television sets. The color video recorder developed by the Shanghai Sound Recording Instruments Plant passed its technical evaluation. The Shanghai No 21 Radio Equipment Plant developed a 200 MHz broad-band oscilloscope and a 16-channel logic display.

8480

CSO: 4406/645

DOMESTIC TRADE

PETROCHEMICAL PLANT CONCLUDES COOPERATIVE AGREEMENT WITH UNIVERSITY

Shanghai JIEFANG RIBAO in Chinese 4 Sep 82 p 3

[Article: "Agreement on Cooperation in Research and Production Signed"]

[Text] The Gaoqiao Petrochemical Combine and Huadong Chemical Engineering Academy signed an agreement on cooperation in teaching, research and production on 1 September at the combine's offices.

Although the Gaoqiao Petrochemical Combine, this city's first large integrated enterprise, achieved great economic effectiveness in its first half-year, its leadership realized that to fully utilize its advantages and achieve even greater economic effectiveness it would be necessary to draw upon the scientific and technical resources of the faculties of advanced schools. Although the faculty of Huadong Chemical Engineering Academy had done practice teaching in the enterprise's plants and there had been research cooperation between the two organizations, most such relationships were short-term, specific arrangements. Now the cooperation between the combine and the academy further develops the relationships between the two organizations, making them into comprehensive long-term cooperation. The cooperative research, training and experience-exchange, sharing of scientific results, provision of technical services and technical consultation and exchange of scholarly and technical documentation will be carried out in the areas of petroleum refining, petrochemistry, high-molecular-weight materials, high-precision chemical engineering, chemical engineering instrumentation and automation, industrial catalysis and other scientific and technical fields.

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CSO: 4006/645

DOMESTIC TRADE

GOOD MARKET SITUATION IN HEBEI CITED

Shijiazhuang HEBEI RIBAO in Chinese 26 Aug 82 p 1

[Article: "Urban and Rural Market Trade Flourishes Throughout the Province"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, urban and rural market trade in this province has rapidly recovered and developed, with a flourishing market situation, a greater availability of products, a large increase in the money value of transactions, and essential stability of prices.

According to statistics there are already more than 1,700 urban and rural markets provincewide, essentially restoring the 1965 level. In addition, the traditional regular markets and in-between markets have been restored everywhere. Many cities have also restored morning and evening markets, fairs, horse markets, commodity exchange exhibitions and other traditional forms of trade.

The markets have already become major occasions for commodity exchange and circulation by the urban and rural masses. The number of varieties appearing on these markets has increased from a few dozen to hundreds, and both city and country dwellers can buy food, clothing and other necessities at them. Transactions at markets totaled 1.2 billion yuan in 1981, up 1.57 times from the 1965 figure. According to statistics for the first half of this year, the value of transactions in mules, peanut oil, peanuts, wheat and apples has declined from the same period last year. The asking prices of 18 staple and nonstaple foodstuffs have declined by 5.8 percent from the same period last year.

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CSO: 4006/645

DOMESTIC TRADE

ECONOMIC PROGRESS IN SHANDONG PROVINCE DESCRIBED

Jinan DAZHONG BAO in Chinese 26 Aug 82 p 1

[Article: "Our Province's Economic Construction Takes a Healthy Path of Development"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, the general policy of readjustment, reform, reorganization and upgrading of the national economy has been conscientiously implemented on all fronts in this province and serious imbalances between agriculture and light and heavy industry have been initially rectified, so that our province's economic construction has begun to follow a path of steady, healthy development.

In the 3 years' readjustment, our province's economic construction has consistently maintained the required pace of development. In particular, the pace of development of agriculture and light industry is all but unparalleled in the more than 30 years since the state was founded. The average rate of increase in gross agricultural and industrial output has been 6.2 percent per year; the average annual figure for industry has been 5.7 percent and that for agriculture has been 7.3 percent, while the figure for light industry has been 12.1 percent. This year heavy industry has begun to recover from falling output; in the first half year it posted an output figures 7.88 percent higher than in the same period last year.

The 3 years' readjustment has produced a marked improvement in the proportionality between agriculture and light and heavy industry in this province, and coordinated development has been begun. The share of agriculture and light industry in total industrial and agricultural output has increased from 60.8 percent in 1978 to 69.2 percent in 1981, while heavy industry's share has correspondingly fallen from 39.2 percent to 30.8 percent. Light industry's share of total industrial output has increased from 45.1 percent in 1978 to 56.3 percent in 1981, while heavy industry's share has correspondingly fallen to 43.7 percent.

As regards product structure, the number of marketable products of light and heavy industry has been increasing year after year. The output of cotton and peanuts and such products of diversified agriculture as forestry, livestock-raising, sideline and fishery products has been increasing even more rapidly. The output of cotton increased by 3.38 times between 1978 and 1981, while output of peanuts rose by 47.9 percent and the income of diversified agricultural operations increased by 86 percent. Proportionalities within agriculture also showed clear-cut improvement.

As a result of the 3 years' readjustment and the improvement of the relationships between agriculture and light and heavy industry, there have been major changes in the people's economic life in this province: Output of agricultural produce and sideline products and a light industrial and textile products has increased, furnishing an increasingly rich variety of foodstuffs and daily-use articles for urban and rural markets. At the same time, as production has expanded, urban and rural income has increased, purchasing power has risen, and the people's condition of life has been further improved. Per-capita distributed collective income in the province's agricultural communes increased by 57.2 yuan over the 3-year period, equivalent to 4.62 times the total increase in the 22 years between 1956 and 1978. Total retail sales of social commodities provincewide increased by 57 percent. Savings in both the cities and the countryside increased and markets were invigorated, a situation largely unprecedented since the founding of the state.

As a result of the 3 years' readjustment, production activities in the three major sectors, agriculture, light and heavy industry, have begun to become mutually supportive and to develop in healthy fashion. In the past 3 years agriculture has furnished increased supplies of raw materials to light industry, and the contribution of agricultural produce and sideline products used as raw materials to light industry's output value increased from 69.7 percent in 1978 to 72.6 percent in 1981. The development of agriculture and light industry has created more funds for state accumulation; light industrial enterprises under popular ownership produced profits and taxes in 1981 which were 44.2 percent higher than in 1978. Heavy industry's output of various means of production for agriculture and light industry also increased steadily, promoting this province's economic construction.

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CSO: 4006/645

DOMESTIC TRADE

JIANGSU INDUSTRY SAID TO EXPERIENCE HEALTHY EXPANSION

Nanjing ZINHUA RIBAO in Chinese 1 Sep 82 p 1

[Article: "Our Province's Industry Begins to Take the Path of Steady, Healthy Expansion"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, our province's industrial departments have conscientiously eliminated the influence of erroneous "leftist" ideology in economic work, have striven to implement the policy of readjustment, reform, reorganization and upgrading, have persistently decreased the scale of capital construction, have unearthed unused potential in the enterprises, have energetically developed light industry and the textile industry, have vigorously increased the output of daily-use consumer items, have striven to readjust the product structure and to expand the scope of services, and have taken the first steps in reorganizing and integrating industry on the principle of specialization and cooperation, with the result that industrial production throughout the province has moved onto the path of steady, healthy expansion.

Energetic Readjustment of Proportionalities Within Industry, Gradually Making the Structure of Industry More Rational

In 1981 the province's total industrial output was up 45.4 percent from 1978, an average rate of increase of 13.3 percent per year; the growth of light industry output over the 3 years was 71.6 percent, an average annual growth rate of 19.8 percent. Light industry's share of overall industrial output increased from 49.4 percent in 1978 to 58.3 percent in 1981. The increase in light industrial output value over the 3-year period was 5.664 billion yuan, exerting a positive effect in stabilizing markets, causing the economy to prosper, overcoming financial difficulties and meeting the requirements of the urban and rural people's livelihood.

Energetically Developing Light Industry and Textiles, Sustaining High Growth Rates in Output of Main Consumer Goods

In the past 3 years our province has resolutely accorded the "six preferences" to light industry and has energetically supported its development. During this period, a total of 1.6 billion yuan in funds for development of potential, reequipment and modernization has been allocated, of which more than 50 percent has been used directly for increasing the production of daily-use

consumer items. Every year the province furnishes more than a billion jin of grain, 50 million jin of vegetable oils and 6 million dan of cotton, along with other agricultural produce and sideline products, thus vigorously developing the foodstuffs industry, the textile industry and the small daily-use items industry. The provincial party committee and government have also developed a policy of supporting the development of enterprises under the urban collective ownership system and have fostered increased production of small daily-use articles needed for the daily life of the masses. As a result of the 3 years of readjustment, output of the main daily-use consumer goods in this province has consistently grown at a high rate, essentially rectifying the earlier situation of inadequate market supplies. In 1981 production of wristwatches had increased by 1.4 times compared with 1978, while output of sewing machines was up by 2.8 times, output of bicycles by 3.4 times, output of radios by 4.2 times, output of television sets by 20 times, output of cameras by 5 times and output of plastic products by 3 times; output of textile products has increased at an average annual rate of 22 percent. While light industry was being vigorously expanded, energetic efforts were made within the light industry sector to achieve better balance, to improve quality, to increase the number of varieties and to develop the production of name brands. During the 3-year period, a total of 786 civilian products were rated as quality products in this province, of which 74 were awarded state gold or silver quality awards; 11,172 new products or new varieties were put into trial production or full production.

Readjusting the Product Structure, Expanding the Range of Sectors Served, Overall Recovery in Heavy Industry

The branches of heavy industry faced many difficulties in the readjustment, but they readjusted product structure and energetically expanded their range of sectors served, serving the developing of light industry, textiles and export and the technical modernization of the national economy, and strove to set right the previous situation in which "heavy industry was a self-contained cycle." The metallurgical industry's production of steel for light industry and construction, the machine-building industry's production of specialized equipment for light industry and textiles and its direct production of daily-use electromechanical products, and the chemical engineering industry's production of products for the light industrial and textile markets have increased to various degrees. Starting in the second half of last year, heavy industrial production began an overall recovery. During the first half of this year, heavy industrial output provincewide was up 12.8 percent over the same period last year. The rate of increase of profits in the machine-building industry and chemical industry during the first half-year exceeded the rate of increase of output.

New Progress in Industrial Reorganization and Integration on the Basis of Specialization and Cooperation

One of the major weaknesses of our province's industrial production was the existence of large and small operations producing an extensive range of products, with dispersion and duplication; this was a major factor hindering the improvement of production standards.

Since 1979 industrial reorganization has been carried out provincewide on the basis of specialization and cooperation. By the end of 1981, 286 specialized companies at the country level and above and 64 combines had been organized, with 2,010 enterprises, or 34 percent of all industrial enterprises at the county level and above in the province, participating. Some 197 integrated economic units of various types have been organized, embracing 368 enterprises. Specialization and cooperation in industry are being vigorously pursued. The province is proceeding in planned fashion to establish industrial-process cooperation centers based on 2,624 specialized castings, forgings, heat treatment and electroplating plants and similar facilities.

Some Improvement in Industrial Economic Effectiveness

As a result of the 3 years' readjustment, this province's industrial departments and enterprises have gradually instituted a guiding ideal of organizing production in accordance with social needs, and are pursuing market adjustment and forecasting, conscientiously revamping economic management and strengthening basic work. Some results have already been achieved in assuring that products are marketable, improving product quality, decreasing production cost, conserving energy and materials and decreasing the size of production funds. Although during the 3 years there have been such objective difficulties as increased prices for materials, lower prices for certain finished products, increased numbers of employees and increased enterprise burdens, the accumulation furnished to the state by the province's industrial and communications enterprises has steadily increased. In 1981 the taxes and percentages of profits paid to the higher levels by industry had increased by 17.92 percent compared with 1978, while the share of industrial taxes and payment of a percentage of profits in the province's total financial revenues increased from 81.72 percent in 1979 to 93.04 percent in 1981. Total energy consumption per 100 billion yuan of industrial output value has been steadily decreasing in this province, falling by 24.6 percent between 1979 and 1981. Energy conservation work has been vigorously pursued, and conservation over the 3-year period has been equivalent to 3.62 million tons of standard coal. This year, 823 industrial and communications enterprises have followed several years of recovery measures with an overall reshuffling, producing even more striking improvements in economic effectiveness.

However, the problem of poor economic effectiveness in this province's industry has not been fundamentally solved, the scale of capital construction is not yet being stringently controlled, there are many leaks in enterprise management, and industrial structure and enterprise organization are still irrational. In the future we must continue our comprehensive implementation of the policy of readjustment, reform, reorganization and upgrading, focus on readjusting product structure, technological structure and enterprise organization so as to make them more rational, put all proportionalities in better balance, lay an effective foundation, carry out technical modernization related product modernization in order to thoroughly utilize existing enterprise potential, and comprehensively improve our province's industrial economic effectiveness.

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CSO: 4006/645

DOMESTIC TRADE

OUTPUT OF JIANGSU COMMUNE, BRIGADE INDUSTRY INCREASES

Nanjing XINHUA RIBAO in Chinese 16 Aug 82 p 1

[Article: "Output of This Province's Commune and Brigade Industries Increasing Steadily"]

[Text] During the readjustment, the output of this province's commune and brigade industries has been increasing steadily.

The total output of this province's commune and brigade industries in 1981 had nearly doubled since 1978. In the first half of this year, the total value of commune and brigade industry output was up by 8.37 percent over the same period last year. In previous years, owing to market shortages and limited administration, the commune and brigade industries thoroughly exploited the advantages of simple equipment, small investments and quick response time by developing rapidly, thus making a contribution to the state, the collectives and the commune members. But during the development process some branches of industry proceeded blindly, many products were of poor quality, there were unhealthy tendencies of various degrees of seriousness, and a few units were sabotaged by bad characters. This year the localities have continued to implement the policy of readjustment, but decreased capital construction and regulated the output of some overstocked products, and have shut down some enterprises which were causing serious pollution, had high energy consumption, or had shown no economic improvement over a long period. Statistics show that of 40 products suitable for comparison, the output of 25, including brick and tile, cement and small mechanical farm implements, posted large increases, while the output of 15, including synthetic fibers, clothing and electric fans, showed considerable declines. At the same time, product-oriented integrated operations using such forms as cooperative production or the establishment of combines continued to develop, with improved product quality and increased competitive ability. Some areas have carried out a comprehensive shakeup of commune and brigade industry; financial shakeups have already been carried out in more than 11,500 enterprises, strengthening their management. The province's management offices of commune and brigade industry have held training classes for office heads and accounting and supply and marketing personnel and many prefectures, cities and counties have also held similar classes, effectively improving management of commune and brigade industry.

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DOMESTIC TRADE

JIANGSU COMMERCIALY-RUN FOODSTUFF INDUSTRIES GROW RAPIDLY

Nanjing XINHUA RIBAO in Chinese 28 Aug 82 p 1

[Article: "Commercially-Run Foodstuff Industries in this Province Develop Rapidly"]

[Text] During the readjustment, our province's commercially-run foodstuffs industries are developing rapidly. Work has begun on 118 technical modernization products centrally organized by the province's commercial office, and 16 have already gone into production and are yielding results, while 29 more are expected to be in production within the year.

The completion of these technical modernization projects is of major significance in making markets flourish and enriching the people's lives. For example, the meat products processing shops which have already gone into production in Lianyungang City and in Shangshu and Fei Counties are capable of providing 6.5 million jin of such products as dried meat floss, ham, sausage and tripe products to the market every year. Changzhou has built a meat refrigeration plant, enabling the people of the city to eat fresh pork year-round and basically eliminating the need to use frozen pork. In order to decrease losses in the transport of live poultry and to provide urban markets with more poultry products, Wu County has built a poultry slaughterhouse with a capacity of 1,200 birds daily. The hard-candy shop which is to go into operation in Xuzhou No 1 Confectionary Factory, the sorghum candy shop planned for the No 2 Confectionery Factory and the pastry shop which will produce the "8 varieties" at the foodstuffs plant have annual production capacities of 5 million jin, more than 10 times the current capacity. After technical work at the Zhenjiang milk products plant is completed this year, its annual production capacity for powdered milk will be increased 200 tons. Gaoyou, Baoying and Yancheng Counties are increasing their production of "colored eggs" [caidan 1752 5751]; when work is completed this year they will be able to furnish the market with an additional 25 million of the eggs annually. Also expected to go into operation this year are six [as published] meat processing shops in Xuzhou, Tiazhou, Taicang, Shazhou, Jiangyin, Xuanzing and Xinghua, with an annual capacity of 15 million jin of various meat products.

Our province is relatively well provided with processing technology and resources for the commercially-run foodstuffs industry, but because the enterprises' production equipment and techniques are outmoded, the products cannot meet the needs of consumers. In the second half of last year, the province's commercial office, responding to the Party Central Committee's request that the foodstuffs industry be energetically developed, first conscientiously made surveys and investigations, then began stage-by-stage arrangements of for technical modernization of candy factories, pastry factories, factories producing sauce, vinegar and other condiments, and meat, poultry and egg processing enterprises, so as to rapidly increase the quantities of famous brands and special products reaching the market and to improve the quality of processing in meat, poultry and egg processing plants, thus meeting the consumers' needs.

Currently a total of more than 55 million yuan in funds is being used for technical modernization of commercially-run food processing in this province. In addition to 2 million yuan contributed by the province's financial organs, most of the rest is being provided through bank loans. Because technical modernization projects produce results rapidly, some projects which have gone into operation have already begun to repay the loans. This year Nantong City built a popsicle storage facility, not only making it possible for the masses to have popsicles in summer, but also paying back the loan in full during the year.

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CSO: 4006/645

DOMESTIC TRADE

ELECTRIC POWER UNITS SUPPORT LUAN RIVER PROJECT

Tianjin TIANJIN RIBAO in Chinese 16 Aug 82 p 1

[Article: "Tianjin, Tangshan Electric Power Units Function Effectively as Vanguard for Luan River Project"]

[Text] This city's Office of the Electric Power Industry, the Tangshan Tangshan Office of the Electric Power Industry and the Qianxi Office of the Electric Power Industry are actively supporting the diversion of the Luan River to Tianjin by providing electric power. Thus far they have provided electricity to 11 construction sites, have installed 68 transformers with a total capacity of 26,310 kVA, have installed 33 km of new power lines, and have replaced 16.5 km of existing lines, essentially satisfying current power needs along the entire course of the project.

Along the entire 223 km of the Luan River construction project three problems in electrical supply must be solved: power for construction sites, permanent power facilities, and movement of existing lines. With a tight schedule, a multitude of scattered locations, and a shortage of electric power, the difficulties are many. The Tianjin and Tangshan Power supply departments have actively joined with the motive power departments on the Luan River Project to study site topography, conditions of electric power use and power transmission plan; after solving the problems of providing electricity for the tunneling operations and for housing and related facilities in January, they went on to provide power for construction work on 14 construction sites under 9 construction companies subordinate to Office No 6 of the State General Office of Construction, the city government's office of construction, and the Ministry of Communications' No 1 Navigation Office, Construction Office and Water Conservancy Office, installing 17 transformers with a total capacity of 53.5 million kVA. The electric power departments of Tangshan, Zianxi and the Tianjin northern suburbs actively paved the way for the moving of existing power lines and towers in the vicinity of the tunnel opening in Qianxi County and the towers for the Dazhang pumping station. Tanggu's power supply office, power management office, electric utility office and No 3 Electricity Office solved pressing power supply problems for the Xinhe Shipbuilding plant, office No 6 of the State General Office of Construction, the Electrical Machinery Installation Company, and the excavation enterprise, which are responsible for the Luan River diversion project. With the exception of accidents and inspection and overhaul stoppages, the power departments assured that the construction along the entire line was not delayed and experienced no power stoppages. The power supply departments are now working to supply the 64 km Mingqu excavation project with electric power.

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CSO: 4006/645

DOMESTIC TRADE

FIFTH 'QUALITY MONTH' ACTIVITIES IN TIANJIN SURVEYED

Tianjin TIANJIN RIABO in Chinese 16 Aug 82 p 1

[Article: "Check Quality, Find Beneficial Results, Satisfy the Consumer"]

[Text] On 11 August, after the city's economic commission had summarized its efforts to improve product quality in the first half year, in response to the State Council's instructions to the State Economic Commission regarding a fifth national "quality month", and in accordance with the product quality situation in this city, the municipal economic commission requested all of the city's industrial enterprises to hold major product quality inspections and take steps to further improve product quality in order to welcome the convening of the 12th party congress.

In connection with the thorough implementation of enterprise reorganization, the industrial enterprise in our city have actively pursued comprehensive quality management, and many industrial products have showed steady improvement. In the first half year, 81 of 100 major city-managed products had showed a steady improvement in quality. Some key products had showed new improvements, such as Hai'ou brand women's wristwatches, monosodium glutamate (MSG), glossy printing ink, medical X-ray plates, model 55 tractors, 0.9 cubic meter compressor-evacuator units, model 135 cameras, 35-mm moving picture film, "youth textiles," dyed silk yarn, lithopone, children's jindan [6855 0030] and cold tablets. The Tianjin No 3 Chinese traditional medicines plant combined technical modernization with improvement of product quality, raising the quality of its cold tablets, cough syrup and the like. The Tianjin Latex Plant strengthened its management, improved its processes and imported advanced foreign technology, with the result that the quality of its prophylactics reached a high level, and this year it won a first class rating in the national latex industry competitive quality ratings.

But there are also some problems requiring attention in regard to product quality in this city. Name brand products are not making rapid progress, the quality of some products is variable or is falling, and there is a high proportion of rejects or seconds in the production process, so that economic losses are serious. Statistics indicate that in various industries' comparative trials only 26 percent of our products won first class rankings, a decrease of 15.8 percent from last year, while only 46 percent were ranked in the first 3 classes, a drop of 15 percent from last year.

The city's economic commission held a mobilization meeting on the 11th of August for all organizations coming under the Fifth Quality Month activities, and asked all industrial enterprises to conscientiously carry on major quality inspections and focus on checking product quality, enterprise management quality and product marketability and marketing services. This inspection was to involve primarily self-checking by the enterprises, with improvement efforts to be concurrent with the checking. Factory enterprises are to draw up practicable measures to deal with problems and report them to the plant employee representatives council. All industrial offices are to strengthen their leadership and effectively organize the inspections. During Quality Month the industrial enterprises are to focus on "finding beneficial results and satisfying the consumer" and are to conscientiously publicize the policy of "quality first," in addition to which they must carry on extensive visits to consumers, actively promote comprehensive quality management and publicize progressive achievements. The municipal economic commission requested that factory enterprises use the Quality Month activities to conscientiously make a further improvement in our city's work of increasing varieties and improving quality and they welcome the convening of the 12th Party Congress with outstanding achievements.

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DOMESTIC TRADE

TIANJIN CITY ANNOUNCES DECISIONS ON PROBLEMS OF COLLECTIVE ECONOMY

Tianjin TIANJIN RIBAO in Chinese 8 Aug 82 p 1

[Article: "Encourage and Guide the Urban Collective Economy"]

[Text] In order to encourage and guide the further development of the urban collective economy, the municipal government recently took specific decisions regarding development of the rural collective economy's product supply, goods supply, operate space and taxes.

The city government's decisions state that as regards goods supply, the commercial wholesale departments must treat urban collective enterprises in the same manner as state-run retail enterprises in accordance with their authorized range of operations. Products which are supplied on the basis of certificates or chits shall be allocated to outlets in terms of the number of inhabitants they serve. The cognizant companies shall first allocate specific numbers of store copies of chits and certificates redeemed on delivery, which the outlets may use to stock goods. Bicycles, sewing machines and dangerous chemical products which are supplied in limited quantities on the basis of certificates will not for the time being be handled by urban collective enterprises. In their initial period of operation, collective catering establishments should be given active support and consideration by all state-run supply units. The methods of supplying grain, meat (pork, beef and mutton), fresh eggs and sugar needed for good preparation shall be designated by the Grain Office, the Second Commercial Office and the like. In addition to stocking goods from the state-run wholesale departments, within the limits permitted by policy the urban collective enterprises may take it upon themselves to visit trade warehouses, rural communes and factory enterprises in order to buy agricultural produce and sideline products, local speciality products and products being sold directly by the industrial departments.

The municipal government's decisions also state that category 1 and 2 goods and materials needed by urban collective enterprises must be included in the plans of the relevant district, office, or other department. Category 3 goods and materials and those of categories 1 and 2 which are permitted to be put on the market may be bought by the enterprises on their own account either within or outside the city, with the permission of the relevant departments. Fuels and electric power needed by urban collective enterprises

engaged in production, domestic services or repair and reconditioning shall be supplied by the relevant city or district departments on the basis of actual need and with verification of quantities.

With regard to space to carry on operations, the municipal government's decisions state that all enterprises and service units in the city and all offices, military units and schools must actively support the development of the collective economy. The people's governments of the various districts, together with the relevant departments, should see to overall planning, observing the conditions that city regulations are obeyed and there is no interference with traffic or harm to the appearance of the city. In the future, more than 50 percent of commercial or service outlets in newly built residential districts must be made available for operation by urban collective enterprises. If state-run enterprises are unable to begin operating such outlets within 3 months, with the permission of the district government they may be turned over to collective enterprises to organize their operation by unemployed youth. Relatively large state-run commercial outlets may be subdivided and handed over to several collective enterprises for operation. All carts, tents, booths and stands operated on broad sidewalks with the permission of the district people's governments which cause none of the three nuisances shall be allowed to operate without occupancy fees during the tax-exempt period.

The decisions also state that in order to support and encourage the development of urban collective enterprises, the following tax decreases or exemptions are provided. New urban collective enterprises intended to provide employment for unemployed youth may be exempted from paying the industrial or commercial income tax on their actual profits for 2 to 3 years, starting from the month in which they begin production or operation. The receipts of the enterprises engaged in labor, repair or services will be exempt from the tax for 3 years. All collective enterprises newly opened by more than one enterprise, more than one block or jointly by enterprises and districts or blocks to provide work for unemployed youth shall be exempted from taxes according to the above-stated principles. All existing block collective enterprises which in a given year hire unemployed youth in a number equivalent to 60 percent or more of their total number of employees shall be exempt from the industrial or commercial income tax for 2 to 3 years; those which in a given year hire unemployed youth in a number less than 60 percent of their number of employees may, subject to the verification and permission of the district financial and taxation department, have their income tax cut by 50 percent for a period not exceeding 3 years. The tax payments which new urban collective enterprises are forgiven should be treated as accumulation not distributed to employees.

8480

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DOMESTIC TRADE

GREATER MARKET ADAPTABILITY OF TIANJIN INDUSTRY URGED

Tianjin TIANJIN RIBAO in Chinese 26 Aug 82 p 2

[Article: "Markets Pose New, Difficult Problems for Industry"]

[Text] In the past 2 years all parts of the country have been energetically producing daily-use consumer goods, which has led to many changes in the markets and brought about fundamental changes for the better in the previous situation of inadequate supply; one result is that many products now are not selling rapidly. This fact has posed new problems for industry. These problems were apparent at the trade exhibitions held by suppliers of general merchandise, knit goods, textiles, hardware, communications and telecommunications equipment and the like.

There are now many sources of supply, a wide range of varieties is available, and there are many new varieties. In the case of knitwear, for example, 29 provinces and cities nationwide produce products, totaling 39,600 different varieties, up nearly a quarter from the same period last year, and representing the greatest number of varieties since the state was founded. The total nationwide supply of colored all-cotton cloth available for distribution is 52.1 million meters, of which commercial transactions have been made for 30.4 million meters or 65.3 percent of the total supply. Commercial agreements for cotton khaki and gabardine accounted for 55 percent of the total. The supply of knit goods in this city is worth 282 million yuan, of which commercial transactions have been made for about 174 million yuan, or 61 percent of the total supply.

From the point of view of the purchaser there is a buyer's market, with a wide variety of choices, in most cases allowing comparison and refusal of undesirable offerings. First, the purchaser can compare quality. Quality requirements apply not only to external appearance and inherent quality, but also to quality of packaging. Tianjin's bicycle parts are of good quality and some are famous brands, so that there is much demand for them: the sellers stopped taking orders at a sales volume of more than 47 million yuan, the highest figure in the country. Shanghai bedsheets come in small packages of 20 and are folded in a size suited to store shelves with the patterns showing, making it easy for salespersons to sell them and for the buyers to make their choices. In comparison, Tianjin's bedsheets are frequently in inferior packaging which is inadequate for the market. Second, customers can compare prices.

Rackets produced in many localities cost 3.30 to 3.50 yuan, while Tianjin's cost 3.90 yuan. It is said that the industry and the commercial departments have recently come to an agreement and are preparing to lower their prices. Third, the purchasers can compare shipping. Daily-use consumer goods are largely seasonal, and if they do not arrive when the purchaser is ready with his money they will end up overstocked and become a burden to the commercial departments. As a result, a striking characteristic of recent commercial exhibitions has been that the manufacturer who can ship his goods the fastest gets the most orders.

As regards rejection of offerings, those which are not urgently needed or which are not new varieties are turned down. Henan woolen yarn, cotton bedsheets, wool blankets and carpets are products in great demand and have led the country in orders taken. Tianjin bedsheets are largely polyester-cotton mixtures and are selling less well than products from other localities. A total of 221,000 mixed polyester-cotton bedsheets are available, but orders have been taken for only some 40,000. Iridium-point pens are moving poorly nationwide, and Shanghai is making a major effort to change over to new styles and varieties, bringing out new products at every trade exhibition; at the recent trade exhibition it displayed 76 products and received orders for 22.9 million units, exceeding the target assigned by the commercial departments and capturing 76 percent of the national market. Tianjin displayed 26 varieties and sold 2.12 million units, only 57 percent of the target assigned by the commercial departments, and captured only 24 percent of the national market. At the knit goods trade exhibition the units buying stock requested specific patterns, colors and delivery times, and organizations which made even a single error did not win acceptance for their products: both those that were too early and those that were too late were rejected. Precisely because some of Tianjin's products lacked adaptability and could not meet this requirement, relatively few purchase agreements were concluded for them.

To deal with this situation, industrial departments in many areas have begun to take adaptive approaches. Shanghai is far and away the leader as regards innovation in styles and colors. In addition, Shanghai and Beijing are both taking aim at other localities that dominate markets. Tianjin's socks made from synthetic fibers may be said to lead the nation, and the number of styles and colors is more than 100 higher than that of Shanghai. At the last trade exhibition, Shanghai exhibited polypropylene terry cloth socks, causing a major stir, and orders exceeded production capacity by more than 3 times. It is said that our city was aware of the market for socks of this kind and was eager to produce them, but could not obtain the materials, so that we were left behind. The supply of aluminum boilers greatly exceeds demand nationwide. Tianjin's aluminum alloy boilers fully meet specifications and are of good quality and inexpensive; they are foremost in the country and supply has always fallen short of demand. Recently it was learned that Beijing is preparing to produce aluminum-manganese alloy boilers which represents a major threat to Tianjin.

Many localities are making considerable gains through product pricing. Products that have long been overstocked are being cut in price by 10 to 20 percent or more. Beijing takes great trouble in regard to the pricing of its

cultural items. For example, its writing supplies are of good quality and are available in good variety; they are worth a rather high price. But the quoted prices are neither too high nor too low: they are about 0.02 to 0.03 yuan lower than those of the products from Tianjin. Shanghai has great adaptability with regard to prices. It has changed the focus of its musical instrument marketing from groups to individuals, and the demand for lower-grade products has begun to revive. For example, violins costing 20-odd yuan are selling rather well. Shanghai has quickly replaced wooden violin cases with cardboard ones and has substituted black horsehair for white horsehair in bows, and bakelite cheek plates for wooden ones, making it easy to lower prices. Shanghai is the leader in the violin market.

Since the interest rate on fund loans was raised, units have been more cautious in stocking goods. As a result, many suppliers have instituted preferential practices, offering their customers the possibility of realizing a profit. Increased discounts and longer payment periods are widespread. Some localities have specified that organizations which order more than 50,000 pairs of nylon socks may take up to 3 months to pay. In their marketing of textiles made from synthetics, many localities not only offer extended payment periods of 3 to 6 months, but also offer package deals including colored and white cotton cloth.

What can Tianjin, whose daily-use consumer goods industry has developed rather rapidly, do about the new difficult problems which the market has posed? It would seem that if we do not strike out in new directions of our own, we will encounter great difficulty in achieving good nationwide sales of our multitude of daily-use consumer goods.

8480

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FOREIGN TRADE

OPEN DOOR POLICY URGED, SELF-RELIANCE MENTIONED

Beijing CAIMAO JINGJI /FINANCE, TRADE AND ECONOMICS/ in Chinese 15 Nov 82
pp 40-42

/Article by Yang Congguang /2799 6850 0342/ and Huang Zheng /7806 6927/:
"Implement a Policy of Opening to the Outside World; Enhance Our Capacity
For Self-Reliance"/

/Text/ Comrade Hu Yaobang pointed out in his report to the 12th Party Congress that: "Implementing a policy of opening up to the outside world and expanding economic and technological exchange with foreign countries based on the principle of equality and mutual benefit is our firm and unshakable strategic guiding policy." Comrade Deng Xiaoping pointed out: "Maintaining independence, keeping the initiative in our own hands and renewal through self-reliance have always been and will continue to be our standpoint and basis." This is our criterion for understanding correctly the inter-relationship between the implementation of the policy of opening to the outside and insisting on maintaining independence, keeping the initiative and self-reliance.

After the Third Plenum of the 11th Party Central Committee, the implementation of our policy of opening up to the outside based on maintaining independence, keeping the initiative, and self-reliance has enabled our foreign trade to develop at a quicker pace. At present we have already established economic and trade contacts with 175 countries and regions. In 1981 the total amount of our import and export trade reached 73.53 billion yuan, which was 1.7 times greater than in 1977; the total amount of exports increased 1.63 times compared with 1977 to reach the figure of 36.77 million yuan. Since 1977 the margin of increase has greatly exceeded highest historical levels, after deducting the factor of price fluctuation. At the same time, major changes occurred in the composition of commodities imported and exported, with the proportion of finished industrial products reaching 53.4 percent, exceeding the percentage for primary products. The varieties of export commodities have markedly increased, and much machinery that used to have to be imported is now beginning to be exported. Advanced technical equipment and important raw and semi-processed materials and other means of production have taken priority among imported commodities. At the same time, striking results have been achieved in the utilization of foreign capital and in the enhancing of international economic and technical exchange and cooperation.

Implementing the policy of opening to the outside means discarding the concept of the self-sufficient natural economy and ending our state of self-imposed isolation, it means making use of the international economic environment and factors beneficial to the modernization of our country, vigorously expanding economic and trade relations with foreign countries, and enhancing international economic and technological exchange and cooperation. This policy not only is adapted to modern, large-scale industrial production in the world today, to the speedy development of new science and technology and to the objective reality of international trade which is increasing daily, but is also completely suited to the needs of the development of our national economy and the realization of the Four Modernizations.

In relation to the development of the world economy, modern large-scale industrial production of most economically developed countries has to varying degrees, utilized the international market, international capital and international economic techniques, and has thus gradually taken off with the aid of certain external factors. History has shown that the development of a nation's national economy requires expanded economic and trade relations with foreign countries, and that the expansion of foreign trade in turn spurs on the development of a country's economy. The higher the level of a country's economic development, the larger the scope of its foreign trade; the more skilled a country is in effectively utilizing international economic factors, the faster the pace of its economic development. The development of foreign trade among all nations of the world is an inexorable trend in the development of history. Once a country's forces of production reach a certain level, the very development of its economy demands going beyond national boundaries to seek favorable external conditions. At this point, foreign trade activities form an important component part of the operation of the entire national economy and become an indispensable link and prerequisite in the process of society's expanded reproduction. In addition, as the degree of social division of labor based on specialization increases, and as the scope of production enlarges, international economic relations among countries will continue to grow and be enhanced daily, as will mutual cooperation and interdependence in economic development.

China is a socialist country, vast in size, rich in natural resources with a large population. To achieve the grand goal of modernizing our country and tripling total output value in industrial and agricultural production by the end of the twentieth century, "we must base ourselves on self-reliance, primarily depending on our own hard work." On a foundation of independence and self-reliance, we must actively expand foreign trade and utilize as much as possible foreign capital, funds and markets that can be used; we must introduce to China advanced science and technology suited to the conditions of our country and make an effort to digest and develop this technology in order to spur on our country's production and construction. This is an important question in the realization of the Four Modernizations in China.

By implementing a policy of opening to the outside and expanding economic relations with foreign countries, we can make good use of favorable conditions in our country and even transform some unfavorable factors into favorable factors, thereby strengthening national power and increasing our capacity for

renewal through self-reliance. At present unfavorable factors are: insufficient capital, backwards technology and poor management. By expanding foreign trade, introducing advanced technology and equipment, borrowing foreign capital, setting up joint ventures, developing compensatory trade, processing and assembly industries and other varied forms of international economic cooperation, we can raise the level of our science and technology, strengthen our economic and technical base, improve economic management, develop technological power, increase the speed of technological reforms in our older enterprises and raise labor productivity. At the same time, the importing of certain materials can have the effect of filling up gaps in our weaker links and departments, which would be beneficial in overcoming our difficulties there, and can guarantee coordinated, balanced development among various sectors of the national economy.

Increasing exports is the key to expanding foreign trade. Exporting not only creates the foreign exchange necessary for introducing technology and importing machinery and equipment, it also is beneficial in giving full play to the various advantages of our production and expanded reproduction, for example: giving full rein to the development of our wealth of natural resources by increasing the export of mineral products, agricultural by-products and special native products; taking advantage of our superb traditional craftsmanship and developing the export of arts and crafts and traditional light industrial and textile products; making the most of our industrial base already in existence by furthering the export of electro-mechanical products and various processed nonferrous and precious metal products. Many of our products are now produced primarily for export to the world market, and the quantities and varieties of these products are constantly expanding. The international market is increasingly becoming an important prerequisite in the reproduction of these products. To give another example, the vast manpower resources of our country are an advantage, but lacking at present the means with which to develop this, we still cannot make appropriate arrangements to rationally utilize this resource. Activities such as expanding economic relations with foreign countries, actively developing international labor cooperation, contracting engineering projects in foreign countries, providing raw materials to process products according to foreign specifications, investing capital abroad to open factories and enterprises and actively developing and organizing the export of labor-intensive products are ways of expanding employment opportunities, and can enable us to effectively utilize and take best advantage of labor resources to create wealth for society, increase foreign exchange and accumulate capital, at the same time raising the people's standard of living.

All of the above illustrates that implementing a policy of opening to the outside and expanding economic and trade relations with foreign countries can help us give full rein to our natural advantages while compensating for our shortcomings to reach the goal of increasing public wealth, saving on social labor and increasing the benefits of economic construction. This is an objective requirement in the construction and development of our country's socialism.

Foreign trade is a component part of our socialist economy. The development of our entire national economy and the strengthening of our ability to be self-reliant form the material basis for the implementation of the policy of opening up to the outside world. The scope and depth of our foreign trade, the amount of foreign trade and the pace of its increase, the composition of our imports and exports, our ability to compete on the international market, the degree of utilization of foreign capital and other forms of economic and technological cooperation will all be decided by the level of economic and technological development of the entire country. Simply seeking to develop foreign trade without developing the productive forces of the entire nation, without strengthening our capacity for self-reliance and raising the level of our science and technology could only be like water without a source or a tree without roots--hoped for results definitely could not be achieved. Thoroughly executing the guiding principles of independence, keeping the initiative, and self-reliance is the starting point and end-result of expanding foreign trade and manifests itself in every aspect of our foreign trade and economic relations. The developing of foreign trade is an important way through which we can utilize the "outside" and is an important supplement to self-reliance. The "outside" provides the conditions but must be transformed, that is it must be fully absorbed and effectively used to form an organic whole with self-reliance. Only in this fashion can it become a real part of the social forces of production and be fully utilized to speed up the course of the construction of our socialist modernization. Without bringing every positive force within and without China into play, without an organic unity between relying on the outside and relying on ourselves, not only can we not make the "outside" serve our purposes, but it could sometimes even turn into a negative force of which we have seen plenty of examples. This is something that deserves our attention and vigilance.

The implementation of the policy of opening to the outside means that China is not only entering upon relations of commodity exchange with foreign countries, but is expanding this relation into various realms of exchange and cooperation in production, science, technology and so on. Ultimately, all these relations and cooperation are essentially commodity and currency relations among nations and are subject to laws intrinsic to commodity and currency relations. However, according to the principles of Marxism, commodity and currency relations also are conditioned by the basic economic laws of a country's social/economic system and the various social and economic patterns of its system. Our economic and trade relations with foreign countries must reflect socialist principle and follow the basic economic laws of socialism and the law of the proportional, planned development of the national economy. It must be essentially different from capitalism in objectives, methods, results and nature. Our policy of opening to the outside is not an implementation of the free trade policy advocated by bourgeois economists, in which all is governed totally by the law of value and the law of profit, leading to the liberalization of the economy. It is even less a dependence on the charity of foreign capitalists, and it is certainly not an unprincipled opening of our doors to allow unrestrained infiltration of foreign capital into our country or the flooding of our market with foreign goods, leaving us at the beck and call of foreign businessmen. "No foreign country should expect China to become its vassal or to swallow bitter fruits injurious to our

national interests." Our opening to the outside is a policy conceived under unified leadership and is being put into practice step by step, as part of the planned economy. Therefore, utilization of foreign capital, introduction of technology, choice of projects and the composition and arrangement of commodities to be imported and exported must all be based on independence and self-reliance, be determined in accordance with all the laws, decrees and ordinances of the state, and be based on state plans to develop the national economy and on the needs of our activities in dealing with foreign countries. "The goal of expanding economic and technological exchange with foreign countries is to increase our capacity for renewal through self-reliance, and to spur on the development of our nation's economy; it absolutely cannot be allowed to bring harm to our nation's economy."

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TRANSPORTATION

HARBOR CONSTRUCTION DEVELOPING RAPIDLY

Beijing GONGREN RIBAO in Chinese 12 Aug 82 p 1

[Article by Jiao Xuan [3542 6513]: "Our Nation's Harbor Construction Develops Rapidly"]

[Text] Since the Third Plenum of the 11th Party Congress, our nation's harbor construction has rapidly developed in national economic readjustment and has realized visible achievements. During the past two years, 11 newly built and rebuilt docks of key harbors along the coast and Chang Jiang have been put to use. Eight have been basically completed. Modern container docks have begun to receive international containers for loading and unloading. Also, a number of medium and small harbors have been developed. The handling capacity of major seaports has increased by 6.36 million tons. At present, the number of docks along our nation's coast has increased 45 percent over that at the nation's beginnings. The annual handling capacity of harbors has increased from 10 million tons to over 200 million tons.

Among the newly built and rebuilt docks, the ones of larger scale and with a higher level of mechanization are: seven 10,000-ton class general cargo docks at Xingang in Tianjin and a special container dock with annual handling capacity of 100,000 containers (of international standard); one 10,000-ton class deep water dock in the Huangpu Harbor; and two docks for general cargo at Nantong Harbor. The special container dock at Xingang in Tianjin that began operation at the end of last year [1981] has a storage yard of 90,000 square meters. It can simultaneously store over 6,000 international standard containers. The front of the dock is also equipped with two domestically manufactured 40.5-ton bridge crane for containers. The No 8 coal dock at Zinhuangdao Harbor was technically improved. Its degree of mechanization was greatly improved. Its handling capacity increased 50 percent. This has served importantly to ease the shortage in transport capacity for coal and it has stimulated foreign trade.

In harbor construction, the policy of building large, medium and small harbors and coastal harbors and inland river harbors simultaneously was implemented. Under unified planning, localities and enterprise units were actively supported. They pooled funds to build medium and small harbors and special docks, and hastened harbor construction. At present, along the sea coast from Bohai to Nanhai of our nation, there are the key harbors of Dalian, Qinhuangdao, Tianjin,

Shijiusuo, Shanghai, Huangpu, Zhanjiang, and there are also a number of new and expansion projects to build 10,000-ton deep water docks now under intensive construction. At the same time, the harbors of Nanjing, Zhengjiang, Nantong, Zhicheng and Zhangjiagang along the banks of Chang Jiang are currently building a number of deep water docks. The Zhicheng Harbor in Hubei at the intersection of Chang Jiang, the Jiao-Zhi Railroad and the Zhi-Liu Railroad will build a special dock for coal with an annual handling capacity of 1.5 million tons. After it begins operation, coal from western Henan, southern Shanxi, Shaanxi, Guizhou can be shipped to all coastal localities directly via Chang Jiang.

9296

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TRANSPORTATION

FUTURE OF CONTAINER CHARTERING OUTLINED

Beijing WUZI GUANLI [MATERIALS MANAGEMENT] in Chinese No 7 25 Jul 82 pp 10-12

[Article by Zhao Wenyi [6392 2429 5030]: "Future in Developing Our Nation's Container Chartering"]

[Text] Present Situation of Container Chartering in Our Nation

In recent years as our nation's container shipping develops, more units will require the use of containers to ship merchandise. The number of general purpose containers of one ton and five tons in capacity the transportation departments have can no longer satisfy the need. The hasten the development of our nation's container shipping and to adapt to the needs of national economic development, the State Economic Commission approved the establishment of the China Container Company under the National Materials Bureau in 1980 to set up container handling stations in 17 large and medium cities throughout the nation and to provide container leasing services. Our nation's container leasing is still in a trial stage and the scale is very small. At present, the China Container Company owns only some 7,000 general purpose containers of 1 ton capacity. It has designed and test manufactured 7 special purpose containers. Up to April of this year, nearly 1,000 units have made arrangements to charter containers for shipment of goods over a specific distance totalling nearly 20,000 container-times and more than 13,000 containers were leased on a term basis.

(I) Leasing Containers for Chartered Shipment of Goods Over a Specific Distance and Leasing Containers on a Term Basis. At present, the China Container Company only leases 1 ton containers. They are mainly leased out in two ways, for chartered shipments over a specific distance and on a term basis. Leasing containers over a specific distance is realized when a lessee (unit) charters a container from the origin of the container depot to the destination oneway. At the same time, the unit arranging the lease of the container performs shipping service. Term lease involves leasing a container over a long or short period of time. The China Container Company has established rates for leasing containers according to the cost of containers and the period of use. The general rates are as follows: the fee for short term lease is 35 percent lower than the specific distance rental fee; the fee for long term lease is lower than the specific distance rental fee by more than 50 percent. Collection of

fees is realized by charging a one-time rental fee according to the actual time the lessee (unit) uses the container under the specific distance charter plan. The term lease fee is charged by the month or by the quarter according to the "leasing contract" which specifies the period of use and the rental fee. The rental fee for containers mainly includes depreciation of the container, regular repairs and handling.

(II) Benefits from Leasing Containers. Our nation has only begun to lease containers for a short time and it lacks experience, but with the common effort of the leasing department (lessor) and the lessee units, the benefits from container leasing has been shown on a preliminary basis. The methods of the leasing department and the benefits realized by the lessee units have been manifested in the following aspects:

(1) Many channels were utilized to attract lessee units. To enable enterprises to understand the method and benefits of leasing containers, to expand the business of leasing containers, the leasing department visited prospective clients, invited enterprises to participate in discussions, participated in commercial product marketing shows and used other measures to attract lessee units widely. Definite results were realized. For example, at the commercial products marketing show sponsored by Anshan City, the leasing department convinced the Harbin City Production Data Service Company to charter containers to ship 2,000 locally manufactured bicycles to other places.

(2) The leasing department helped lessee units to solve problems in the use of containers. The leasing department took full responsibility for all containers leased out. Besides introducing to the lessee the method of using containers and the techniques of loading, problems in using containers were handled in time or guidance in solving the problems were given in time so that the lessee units were satisfied. For example, the Changchun City Coal Gas Company chartered ten containers as special containers to ship carbon black. Because the containers shipped out the first time took a long time to unload and return as empty containers, the company worried that the rental cost would increase and wanted to cancel the lease agreement. After the leasing department learned about this situation it dispatched personnel to investigate the cause and introduced the railroad administration to regulations concerning the handling of container shipping. At the same time, it also helped the lessee unit calculate cost and solve problems related to dirty containers and the return of empty containers. Thus, the lessee unit saw the benefits in chartering containers and its worries were eliminated. It increased the number of containers chartered to 360 and the term of the lease was extended to five years.

(3) The lessor helped the lessee solve difficulties in shipping. The leasing department convinced enterprises to use container shipping to solve the problem of accumulation of their merchandise by pointing out the difficulties of some enterprises that were unable to ship their merchandise out for long periods, thus affecting the sale and use of the merchandise. At the same time, lessee units felt that container shipping was rapid, accurate, safe, convenient and economical. For example, last year, the Nanning and Guizhou City Electrical Machinery Company wanted to ship a number of motorcycles from Chongqing City. The Chongqing City Joint Transportation Company would require three months

to make the shipment and it wanted the shipping fee prepaid. After chartering containers for the shipment, the motorcycles were shipped out in 7 days, and the shipping and packaging fees totaling more than 7,000 yuan were saved. In four months last year, the leasing department helped lessee units ship 2,400 motorcycles, conserved 158 cubic meters of wood and more than 60,000 yuan in cost for packaging materials. The Yangzhou City Electronics Company generally had to wait between a dozen days and one month before its merchandise could be shipped out by railroad from Nanjing. After renting containers for the shipment, the merchandise could be shipped out in 3 days.

(4) The leasing department established many services to satisfy the needs of enterprises. The leasing department also provided many kinds of services such as loading, unloading, contracts for shipment, pickup and delivery and storage surrounding the main service of leasing containers according to the needs of the lessee units. The services satisfied the needs of the lessee units and expanded the leasing business. For example, the Shanghai Dongfeng Alloy Plant and such units chartered containers to ship steel strips, zinc foil, telecommunications devices and medical instruments and such products. The leasing department contracted the entire job from processing dispatch papers to loading and shipping. There were no incidents of damage or mistakes in shipping the products and this method was welcomed by the lessee units. Also, for example, the Jining Supply and Marketing Cooperative in Shandong went to Harbin to purchase some sewing machines and bicycles. The container leasing department also contracted the job of shipping the items. The department arranged two railroad freight cars to ship 117 containers and they were safely delivered to the destination. The lessee unit indicated that in the future, it will again charter containers for its shipments.

(5) The leasing department expanded the scope of utilization of containers. The containers of leasing departments have already developed from being used in shipping to storage and they have served as safes. For example, Harbin held an outdoor commercial products exhibition and marketing show last year. During the day, the products were sold in the open from stalls. During the night, the products had to be shipped back to the owners. The back and forth shipment of products easily caused damage and loss. The leasing department shipped some containers to the exhibition grounds and rented them to the exhibitors. The City's Daily Commodities Chemical Plant and over ten units rented the containers and every day they used the containers as stands. After the exhibition, the products were stored in the containers as temporary warehouses.

Practice proves that the development of container leasing in combination with loading and shipping services in our nation is economical and rational. The development of container leasing can better develop the superiority of containers in shipping and it can also stimulate the development of container shipping. But, in the course of developing container leasing, many difficulties have been encountered. Some are policy questions, and if they are not studied and solved, the development of the leasing business will be affected. The main problems are as follows:

1. At present, containers of railroad departments and maritime shipping departments are provided to the shipping units (shipper) free of charge while in chartering containers from the leasing department, the shipping unit must not only pay a rental fee for the use of the containers, it must also pay for the return of the containers. In addition, the massive return of containers has also affected the effective utilization of the containers. This is a key problem that affects the development of leasing.

2. The railroad department only provides discounts on shipping charges for general containers of one ton capacity provided by the enterprises themselves. Special purpose containers and 5-ton general purpose containers are charged by weight including the weight of the empty container. Special containers must also coincide with the exterior dimensions of railroad containers in order to get a discount on charges for returning empty containers. Such regulations have also affected the development of leasing to a certain degree.

3. At present, the railroad department only has 179 train stations handling container shipments. In leasing, many shipping units require the containers to be shipped to localities other than these train stations that handle container shipments. Some stations can handle such shipments after being contacted by the leasing department but due to railroad regulations they could not dispatch the shipment in containers. This has objectively limited the development of leasing.

The Necessity to Develop Our Nation's Container Leasing

To develop container shipping, the state has invested a lot in the transportation departments to build containers in recent years. The transportation departments have given discounts on shipping charges in order to encourage the carrier units to build their own containers. Even under this situation, the number of containers in possession cannot adapt to the needs of the shipping units (shipper). To the carrier departments, because containers are provided to the shipping units free of charge and because the containers require frequent repairs, the cost is high. According to reports by the railroad departments, last year, the railroad departments spent over 4 million yuan to repair containers. This cost can only be written off as an expenditure from shipping revenue. To a certain degree, this affects the enthusiasm of the railroad departments. To the shipping units, even though the railroad gives a discount to enterprises providing their own containers, but a large amount of steel is required to build containers, and it is very difficult to purchase materials for building containers. In addition, the building of containers requires more capital, and generally it is difficult for the shipping units to provide such an amount of funds at once. Therefore, to develop container shipping, we must borrow the beneficial experience abroad, utilize the method of container leasing to solve the conflict of container shortage.

In recent years, the whole nation has emphasized the quality of shipping. Transportation departments have strict requirements for packaging merchandise for shipment. Packaging materials, especially wood, are in serious shortage.

The shipping units have already realized benefits in using container shipping, and we urgently need to utilize this method of shipping to ship large quantities of goods suitable for container shipping. But, the transportation departments have a serious shortage of containers, some types of containers are also unsuitable for loading special merchandise. If the leasing department can uniformly manage the containers, then these problems could be solved better.

The leasing department must have its own container building plant because it specializes in container leasing, and it can guarantee the need for leasing containers. If the merchandise of the shipping unit cannot fit into currently available general purpose containers, the shipping unit can make a suggestion and the leasing department can design and manufacture specialized containers. The shipping units can rent containers for use, they can rent containers for one-way hauls, they can rent containers for short periods or for long periods. They can pay the rental fees in installments or at once. The development of container leasing can supplement the transportation department's inadequate supply of containers, satisfy the different needs of the shipping units, and recover the capital investment in building containers within a definite period. Developing container leasing is beneficial to the state, the shipping unit, the transportation department and the leasing department.

In summary, it is entirely necessary to develop our nation's container leasing.

Several Suggestions Concerning the Development of Our Nation's Container Leasing

(I) The Transportation Department Should Charge an Appropriate User Fee for Its Containers. At present, container leasing in our nation is being developed while the transportation departments are providing containers for use by the shipping units free of charge. The shipping units surely will want to use containers free of charge. This is very unfavorable to developing leasing. Therefore, the transportation departments should charge an appropriate fee for the use of their containers.

(II) The Transportation Department Should Give a Discount on the Shipping Charge to Containers of the Leasing Departments. Container shipping in our nation is still in a period of development. The transportation departments should continue the policy of favorable treatment of containers provided by the enterprises themselves. At present, the railroad departments are giving favorable treatment to 1 ton general purpose containers and the highway departments are providing discounts on shipping fees for containers. To develop leasing, it is suggested that the railroad, maritime shipping and highway departments give discounts on shipping fees to the general purpose and special containers of varying tonnage of the leasing departments and enterprises.

(III) The Railroad Departments Should Allow Containers of the Leasing Departments to Originate From Stations Not Handling Container Shipments. At present, there are very few stations of the railroad departments that handle containers. The carrier units that lease containers are definitely limited in originating shipments. To develop leasing, the railroad departments should allow the containers of the leasing departments to be shipped to railroad stations that can receive such shipments but as yet are not container handling stations.

(IV) The Railroad Departments Should Provide Convenience to the Leasing Departments in Labeling and Numbering Their Containers. It is necessary for the railroad departments to number the containers provided by enterprises. But, because the leasing department uniformly manufactures containers, the symbols and container numbers are sprayed onto the containers in the factory (including railroad numbers). The railroad departments will assign a number to a container only after the container has met the regulations of the railroad departments, therefore, many inconveniences have been brought about for the leasing departments. Some lessee units leasing containers on a time basis have also been troubled by the problem of number assignments by the railroad departments in leasing containers. It is suggested that the railroad departments allow the leasing departments to uniformly number their containers.

(V) The Economic Committee of Each Locality Should Allow Vehicles of the Leasing Departments to Ship Containers. The leasing department has established business stations at various localities and each station is assigned a fixed number of transport vehicles to develop the business of leasing, shipping, pick-up and delivery of containers. The economic committee of each locality should allow vehicles of the leasing department to transport containers and should facilitate the shipment of containers.

(Employer of the writer of this article: China Container Company)

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Leasing Affairs

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ABSTRACT: For the purpose of exchanging experiences in international leasing affairs, a conference, sponsored by China Leasing Company, was held on 11-12 Oct in Beijing. Mr Smith, Chairman of the Board and General Manager of North European Leasing Company was invited to speak on international leasing affairs, its development, method of handling, insurance, laws, and its function in the economic development of the various countries. Related departments of the State Council and 13 provinces and cities sent 80 representatives to attend the conference. After the 11th Plenum of the Third Party Congress, the China Leasing Company Ltd. was officially established in Jul 81. Since then, the company has helped more than 30 medium and small enterprises resolve their capital investment problems. Using the form of leasing, a group of advanced and suitable equipment and techniques have been introduced to promote the technological reform of industries in China.

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